TRANSCRIPT OF RECORD

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1959

No. 143

COMMISSIONER OF INTERNAL REVENUE, PETITIONER

vs.

ROBLEY H. EVANS AND JULIA M. EVANS

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

PETITION FOR CERTIORARI FILED JUNE 25, 1959
CERTIORARI GRANTED OCTOBER 12, 1959

No. 15985

United States
Court of Appeals
for the Ninth Circuit

ROBLEY H. EVANS and JULIA M. EVANS,

Petitioners,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

Transcript of Record

Petition to Review a Decision of the Tax Court of the United States

Phillips & Van Orden Co., 4th & Berry, San Francisco, Calif.—5-16-58

INDEX

[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in italic; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in italic the two words between which the omission seems to occur.]

APPEARANCES

ROSWELL MAGILL,
15 Broad St.,
New York, New York;

LYLE L. IVERSEN,
Hoge Bldg.,
Seattle, Washington;

DONALD J. YELLON,
33 North LaSalle St.,
Chicago, Illinois,

For Petitioners.

CHARLES K. RICE,
Asst. U.S. Attorney General;

LEE A. JACKSON,
Atty., Dept of Justice,
Washington 25, D. C.;

For Respondent.

The Tax Court of The United States

Docket No. 58067

ROBLEY H. EVANS AND JULIA M. EVANS,
Husband and Wife,
Petitioners,

vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

PETITION

The above-named petitioners hereby petition for a redetermination of the deficiencies set forth by the Commissioner of Internal Revenue in his notice of deficiency, bearing symbols Ap:S:AA:90D-PAD:-JHR, dated March 9, 1955, and as a basis of their proceeding allege as follows:

1. Petitioners are individuals residing at 604 84th Avenue N. E., Bellevue, Washington, their mailing address being 1413 Seventh Avenue, Seattle 1, Washington. The returns for the years here involved were filed with the Collector of Internal Revenue for the District of Washington.

2. The notice of deficiency, a copy of which is attached hereto, marked Exhibit "A," was mailed to petitioners on March 9, 1955.

3. The deficiencies as determined by the Commissioner are in income taxes for the calendar years ended December 31, 1950, and December 31,

1951, in the respective amounts of $32,847.62 and $49,514.04, a total of $82,361.66 for both years. The entire amount of the deficiencies is in dispute.

4. The determination of taxes set forth in the said notice of deficiency is based upon the following errors:

I. The respondent erred in his determination that depreciation on automobiles in the year 1950 was excessive in the amount of $56,114.09, thereby increasing business income by this amount.

II. The respondent erred in his determination that petitioners were in the business of selling used automobiles during the year 1950; that the profit realized from the sale of these automobiles was income from the sale of property held primarily for sale in the ordinary course of their business; and in increasing their business income by the amount of the alleged profit on the sale of these automobiles in the amount of $17,061.62.

III. The respondent erred in his determination that the automobiles sold in 1950 which had been held for more than six months were not assets used in the trade or business of a character which is subject to the allowance for depreciation and thereby eliminating the gain on the sale of these automobiles as gain from the sale of capital assets.

IV. The respondent erred in his determination that depreciation on automobiles in the year 1951

was excessive in the amount of $62,515.92, thereby increasing business income by this amount.

V. The respondent erred in his determination that petitioners were in the business of selling used automobiles during the year 1951; that the profit realized from the sale of these automobiles was income from the sale of property held primarily for sale in the ordinary course of their business; and in increasing their business income by the amount of the alleged profit on the sale of these automobiles in the amount of $5,813.53.

VI. The respondent erred in his determination that attorney fees in the amount of $2,500.00 claimed as a deduction in 1951 were attributable to the sale of real estate, thereby increasing income from the automobile business and decreasing the gain on the sale of houses and lots.

VII. The respondent erred in his determination that a loan made by petitioners to the Aero-U-Drive in the amount of $3,500.00, which became worthless in 1951, was a non-business bad debt.

VIII. The respondent erred in his determination that petitioners realized ordinary income in the amount of $40,059.33 from the sale of lots in the year 1951 which the respondent alleges were held primarily for sale to customers in the course of petitioners' business.

IX. The respondent erred in his determination that only $4,136.75 of the total profit realized on

the sale of lots, including petitioners' personal residence, was allocable to the sale of the personal residence.

X. Respondent erred in his determination that the automobiles sold in 1951 which had been held for more than six months were not assets used in the trade or business of a character which is subject to the allowance for depreciation and thereby eliminating the gain on sale of these automobiles as gain from the sale of capital assets.

5. The facts upon which petitioners relied as a basis of this proceeding are as follows:

(a) During the years 1950 and 1951 petitioners were engaged in the auto leasing business and were not engaged in the business of selling used cars. The sale of automobiles during these years was the result of their being unusable in the car leasing business. Gross rentals received from the auto leasing business during the years 1950 and 1951 were in the respective amounts of \$109,935.00 and \$132,840.00.

(b) Depreciation in the respective amounts of \$77,972.71 and \$92,890.05 for the years 1950 and 1951 was claimed on petitioners' tax returns for these years. Depreciation was computed on the basis that these automobiles had an estimated useful life of four years.

(c) Respondent has recomputed the amount of allowable depreciation on automobiles for the years

1950 and 1951 using an estimated useful life of seventeen months and a salvage value of $1,325.00, or the amount of undepreciated cost at January 1, 1950, if less than $1,325.00.

(d) In the auto leasing business the public demands automobiles less than two years old when new cars are available. Therefore, in order to meet competition it was necessary for petitioners to follow a policy of disposing of automobiles when possible before they were two years old. Gains and losses on the sale of these automobiles have been reported by petitioners for both years, 1950 and 1951, as gains and losses on the sale of assets used in the trade or business of a character subject to the allowance for depreciation.

(e) Attorney fees paid in the year 1951 in the amount of $2,500.00 were for services in connection with petitioners' normal business operations as well as in connection with the sale of real estate.

(f) Petitioners loaned to Aero-U-Drive, Inc., a total of $3,500.00 represented by three notes. These notes are in the amounts of $1,000.00, $1,000.00 and $1,500.00, and are dated December 17, 1948, January 10, 1949, and November 1, 1949, respectively. These notes became worthless in 1951.

(g) During the year 1943 and the years subsequent thereto, petitioners acquired approximately 74½ acres of undeveloped land near Bellevue, Washington. Petitioners maintained their residence

on the property and operated a part of the property as a farm.

(h) In the early part of 1950, petitioners transferred this property to a corporation known as the Surrey Development Company which was formed for the purpose of developing and selling real estate.

(i) The Surrey Development Company started the work necessary to establish a residential subdivision. The results of the exploratory work were not encouraging, and the management could not foresee the probability of a successful enterprise.

(j) In March 1951, Surrey Development Company was liquidated and the venture abandoned. As a result of the liquidation, carried out under Section 112(b)(7) of the Internal Revenue Code (1939), petitioners reacquired title to the property.

(k) With the exception of one lot, the entire tract, including petitioners' personal residence, was sold to Louisa C. Frye, Inc., in April, 1951.

(l) In March, 1950, petitioners, as individuals, became engaged in the home construction business under the name of Bellevue Builders. During the year 1950 an experimental house was built. The house was on a lot purchased from Surrey Development Company. The house was sold in January, 1951, at a loss of $3,514.22.

Wherefore, petitioners pray that this Court may hear the proceeding and that the case be set for

trial at Seattle, Washington; that it find that the respondent has erred in the respects and to the extent stated in paragraph 4, supra; that this Honorable Court may enter its order accordingly; and that it give such other and further relief as, in the judgment of this Court, may be fit and proper.

LYCETTE, DIAMOND AND SYLVESTER,

/s/ JOHN P. LYCETTE,
Attorney;

PEAT, MARWICK, MITCHELL & CO.,

/s/ HAROLD L. SCOTT,
C. P. A.,
Counsel for Petitioners.

Duly verified.

EXHIBIT A

123 U. S. Court House
Seattle 4, Washington

Mar. 9, 1955.

Ap :S:AA :90D
PAD:JHR

Mr. Robley H. Evans and Mrs. Julia M. Evans,
Husband and Wife,
1413 Seventh Avenue,
Seattle 1, Washington.

Dear Mr. and Mrs. Evans:

You are advised that the determination of your income tax liability for the taxable year(s) ended December 31, 1950, and December 31, 1951, discloses a deficiency or deficiencies of $82,361.66 as shown in the statement attached.

In accordance with the provisions of existing internal revenue laws, notice is hereby given of the deficiency or deficiencies mentioned.

Within 90 days from the date of the mailing of this letter you may file a petition with The Tax Court of the United States, at its principal address, Washington 4, D. C., for a redetermination of the deficiency. In counting the 90 days you may not exclude any day unless the 90th day is a Saturday, Sunday, or legal holiday in the District of Columbia in which event that day is not counted as the 90th day. Otherwise Saturdays, Sundays, and legal holidays are to be counted in computing the 90-day period.

Should you not desire to file a petition, you are requested to execute the enclosed form and forward it to the Assistant Regional Commissioner, Appellate, 123 U. S. Court House, Seattle 4, Washington. The signing and filing of this form will expedite the closing of your return(s) by permitting an early assessment of the deficiency or deficiencies, and will prevent the accumulation of interest, since the interest period terminates 30 days after receipt of the form, or on the date of assessment, or on the date of payment, whichever is the earlier.

Very truly yours,

T. COLEMAN ANDREWS,
Commissioner,

By /s/ JAMES E. WESTIN,
Associate Chief, Appellate
Division.

Enclosures:
Statement.
Form 1276.
Agreement Form.

JHResler:mkn.

Ap:S:AA:90D
PAD:JHR

Statement

Mr. Robley H. Evans and Mrs. Julia M. Evans
Husband and Wife
1413 Seventh Ave.
Seattle 1, Wash.

Tax Liability for the Taxable Years Ended December 31, 1950
and December 31, 1951

Year	Kind of Tax	Deficiency
1950	Income	$32,847.62
1951	Income	49,514.04
	Total	$82,361.66

In making this determination of your income tax liability, careful consideration has been given to the report of examination dated August 12, 1953; to your protest dated April 20, 1954, and to the statements made at the conferences held on October 21, 1954, January 19, 1955, and February 23, 1955.

It has been determined that the average useful life of automobiles used in your business based on your actual experience was not in excess of seventeen months and the average salvage value of said automobiles at the end of their useful life in your business was not less than $1,325.00 or the adjusted basis of said automobiles as of January 1, 1950, whichever amount was the lesser. A computation of allowable depreciation on this basis has been made in Exhibit A of this statement wherein it is shown that excessive depreciation was claimed as follows:

Year ended December 31, 1950

Depreciation on automobiles claimed on return	$77,972.71
Depreciation on automobiles allowable	21,858.62
Excessive depreciation—1950	$56,114.09

Year Ended December 31, 1951

Depreciation on automobiles claimed on return	$92,890.05
Depreciation on automobiles allowable	30,374.13
Excessive depreciation—1951	$62,515.92

It is further held that you were also in the business of selling used automobiles during the years 1950 and 1951. Consequently, the profit realized from the sale of the automobiles was income from the sale of property held primarily for sale in the ordinary course of your business within the meaning of section 117(j) of the Internal Revenue Code and such income may not be treated as a capital gain under the above-mentioned section of the Code. Accordingly your income from automobile business has been increased by the net profit from the sale of automobiles as computed in Exhibit A which amounted to $17,061.62 for the year 1950 and $5,813.53 for the year 1951. Correspondingly, your net income for 1950 and 1951 has been decreased by the amount of net capital gain from sales of automobiles which was reported on your return for 1950 in the amount of $17,867.84 and on your return for 1951 in the amount of $26,107.93.

A copy of this letter and statement has been mailed to your representative, Mr. Harold L. Scott, 957 Stuart Bldg., Seattle 1, Washington, in accordance with the authority contained in the power of attorney executed by you.

Taxable Year Ended December 31, 1950
Adjustments to Net Income

Net income as disclosed by return	$ 44,016.22
Unallowable deductions and additional income:	
(a) Business income	73,175.71
Total	$117,191.93
Nontaxable income and additional deductions:	
(b) Capital gains	17,867.84
Net income adjusted	$ 99,324.09

Explanation of Adjustments

(a) Excessive depreciation claimed on automobiles, Exhibit A	$56,114.09
Ordinary income from sale of automobiles as now determined, Exhibit A	17,061.62
Additional business income	$73,175.71
(b) Capital gain eliminated as explained above	$17,867.84

Computation of Tax

Net income adjusted	$99,324.09
Less: Exemptions (3 x $600.00)	1,800.00
Income subject to tentative tax	$97,524.09
One-half of above income	$48,762.05
Tentative tax on $48,762.05	$25,928.68
Less: Reduction ($52.00 plus 9% of $25,528.68)	2,349.58
Combined normal tax and surtax	$23,579 10
Income tax liability ($23,579.10 multiplied by 2)	$47,158.20
Liability disclosed by return, Orig. acct. no. 9105156	14,310.58
Deficiency of income tax	$32,847.62

Taxable Year Ended December 31, 1951
Adjustments to Net Income

Net income as disclosed by return		$ 49,162.61
Unallowable deductions and additional income:		
(a) Income from automobile business	$77,843.67	
(b) Income from real estate development operations	36,545.11	114,388.78
Total		$163,551.39
Nontaxable income and additional deductions:		
(c) Capital gains		42,802.59
Net income adjusted		$120,748.80

Explanation of Adjustments

(a) Income from automobile business	$77,843.67
Income from automobile business as now determined	$86,203.69
As reported on your return	8,360.02
Additional income	$77,843.67

Summary

Profit reported on return	$ 8,360.02
Plus: 1. Excessive depreciation claimed on automobiles—Exhibit A	62,515.92
2. Ordinary income from sales of automobiles Exhibit A	5,813.53
3. Loss from sale of house	3,514.22
4. Legal expense	2,500.00
5. Bad debt	3,500.00
Total	$86,203.69

Explanation of Items

1. & 2. As explained above.

3. A loss of $3,514.22 from the sale of a house constructed by you and sold in the course of your business of selling houses

and lots, for the purpose of clarification, has been eliminated from deductions attributable to automobile business and included as a deduction from income from sale of houses and lots.

4. It is held that attorney's fee, $2,500.00 was attributable to the sale of real estate and has therefore been eliminated from deductions attributable to automobile business and included as a deduction from income from sale of houses and lots.

5. A loan of $3,500.00 to the Aero U-Drive, a corporation, which became worthless in 1951 is held to be a nonbusiness bad debt. Therefore, the amount has been eliminated from the deductions attributable to automobile business and treated as a short-term capital loss as shown below.

(b) It has been determined that you realized ordinary income in the amount of $36,545.11 from the sale of lots and a house which were held primarily for sale to customers in the course of your business. Therefore, your net income has been increased by the above amount and the amount of capital gain reported from this source is eliminated as shown below. The corrected computation of income from sale of houses and lots is as follows:

1. Gain from sale of lots	$40,059.33
2. Loss from sale of house as explained above	(3,514.22)
	$36,545.11

Explanation of Items

1. Sales price of lots including personal residence			**$100,000.00**
Cost		**$56,773.99**	
Less: Depreciation from buildings allowed		**3,680.07**	
Adjusted cost		**$53,093.92**	
Expense of sale per return	**$ 210.00**		
Attorney's fee as mentioned above	**2,500.00**	**2,710.00**	
Net cost			55,803.92
Total profit			$ 44,196.08

Portion of profit allocable to sale of personal residence which is not includible in income because a new residence was purchased on January 30, 1952 for $26,000.00:

Market value of old residence at date of sale, April 12, 1951 —$9,360.00

$\frac{9360}{100000}$ of $44,196.08	4,136.75
Gain from sale of lots	$ 40,059.33

2. For explanation, see Item 3, supra.

(c) It is held that a capital loss of $1,000.00 is allowable for the year 1951. Inasmuch as a net capital gain of $41,802.59 was reported on your return, your net income has been decreased by the difference, $42,802.59. A computation of the corrected capital loss and capital loss carry-forward is as follows:

Net capital gain per return		$41,802.59
Less: Amount reported as capital gain from sale of autos	$26,107.94	
Amount reported as capital gain from sale of lots	16,204.65	
Short-term loss from non-business bad debt as explained above	3,500.00	
	$45,812.59	
Add: Loss of $510.00 was claimed as short-term loss whereas amount should have been deducted as a long-term capital loss since the stock was held more than six months—50% of $510.00	255.00	
Net adjustment		45,557.59

Net capital loss before limitation....	$ 3,755.00
Limited to	1,000.00
Capital loss carry-over to subsequent year	$ 2,755.00

Computation of Tax

Net income adjusted	$120,748.80
Less: Exemptions (3 x $600.00)	1,800.00
Income subject to tentative tax	$118,948.80
One-half of income subject to tentative tax	$ 59,474.40
Combined normal tax and surtax on $59,474.42	$ 34,301.80
Income tax liability ($34,301.80 multiplied by 2)	$ 68,603.60
Self-employment tax	81.00
Total tax liability	$ 68,684.60
Liability disclosed by return, Orig. acct. no. BC-393	19,170.56
Deficiency of income tax	$ 49,514.04

Received and filed May 31, 1955, T.C.U.S.

Served June 1, 1955.

[Title of Tax Court and Cause.]

ANSWER

Comes Now the Commissioner of Internal Revenue, by his attorney, John Potts Barnes, Chief Counsel, Internal Revenue Service, and for answer to the petition filed herein, admits and denies as follows:

1. Admits the allegations of paragraph 1 of the petition.

2. Admits the allegations of paragraph 2 of the petition.

3. Admits the allegations of paragraph 3 of the petition.

4. I to X, inclusive. Denies that the respondent erred in his determination of deficiencies as shown by the statutory notice of deficiency from which the petitioners' appeal is taken. Specifically denies that he erred in the manner and form as alleged in paragraphs 4. I to X, inclusive, of the petition.

5. (a) Admits that during the years 1950 and 1951 petitioners were engaged in auto leasing. Denies the remaining allegations of paragraph 5. (a) of the petition.

(b) Denies the allegations of paragraph 5. (b) of the petition.

(c) Admits the allegations of paragraph 5. (c) of the petition.

(d) Admits that petitioners reported gains and losses on the sale of automobiles for 1950 and 1951. Denies the remaining allegations of paragraph 5. (d) of the petition.

(e) Denies the allegations of paragraph 5. (e) of the petition.

(f) Admits that petitioners loaned to Aero-U-Drive, Inc., a total of $3,500.00, which loan became

worthless in 1951. Denies the remaining allegations of paragraph 5. (f) of the petition.

(g) Admits that during the year 1943, petitioners acquired approximately $74\frac{1}{2}$ acres of undeveloped land near Bellevue, Washington. Denies the remaining allegations of paragraph 5. (g) of the petition.

(h) Admits that in the early part of 1950, petitioners transferred this property to a corporation known as the Surrey Development Company. Denies the remaining allegations of paragraph 5. (h) of the petition.

(i) Denies the allegations of paragraph 5. (i) of the petition.

(j) Admits that in March, 1951, Surrey Development Company was liquidated, and that petitioners reacquired title to the property. Denies the remaining allegations of paragraph 5. (j) of the petition.

(k) Admits that with the exception of one lot, the entire tract was sold to Louisa C. Frye, Inc., in April, 1951. Denies the remaining allegations of paragraph 5. (k) of the petition.

(l) Admits the allegations of paragraph 5. (l) of the petition.

6. Denies generally each and every allegation of the petition not hereinabove specifically admitted, qualified or denied.

Wherefore, it is prayed that the Court hear this proceeding and determine and hold that the petition be denied, that respondent's determination be in all respects approved and that respondent be granted such other relief as the Court may deem proper in the premises.

/s/ JOHN POTTS BARNES, WHP
Chief Counsel,
Internal Revenue Service.

Of Counsel:

MELVIN L. SEARS,
Regional Counsel;

JOHN H. WELCH,
Special Attorney,
Internal Revenue Service.

Filed June 6, 1955, T. C. U. S.

[Title of Tax Court and Cause.]

STIPULATION OF FACTS

It is hereby stipulated and agreed between the Commissioner of Internal Revenue and the above-entitled petitioners, by their respective undersigned attorneys, that the following facts shall be taken as true, provided, however, that this stipulation does not waive the right of either party to introduce other evidence not at variance with the facts herein stipulated, or to object to the introduction in evi-

dence of any such facts on the grounds of immateriality or irrelevancy.

1. Petitioners are individuals residing at 604 84th Avenue N. E., Bellevue, Washington, their mailing address being 1413 Seventh Avenue, Seattle 1, Washington. They are husband and wife, constituting a marital community under the laws of the State of Washington. The returns for the years here involved were filed with the Collector of Internal Revenue for the District of Washington.

2. A notice of deficiency, a copy of which is attached to the petition marked Exhibit "A," was mailed to Petitioners on March 9, 1955.

3. The deficiencies, as determined by the Commissioner, are in income taxes for the calendar years ended December 31, 1950, and December 31, 1951, in the respective amounts of $32,847.62 and $49,514.04 a total of 82,361.66 for both years. The entire amount of the deficiencies is in dispute.

4. During the years 1950 and 1951 the petitioner, Robley H. Evans, who acted on behalf of the martial community, and who will hereafter be referred to as though he were the sole petitioner, was engaged in the business of leasing automobiles in Seattle, Washington. During the years involved petitioner owned automobiles involved in the case which were leased to Evans-U-Drive, Inc., a corporation, all of whose outstanding corporate stock was held by petitioners' son, Robert J. Evans until near the end of 1951 at which time petitioner

acquired a portion of the stock. Petitioner was employed by the corporation as its manager. All vehicles leased to Evans U-Drive, Inc., were paid for by that corporation to petitioner on the basis of $45.00 per month per car.

5. During the years 1950 and 1951 petitioner sold certain automobiles at the respective times and at the respective selling prices set forth in Exhibit "A" to that certain notice to Taxpayer from the Commissioner of Internal Revenue dated March 9, 1955, bearing symbols Ap :S :AA :90D-PAD-JHR, Taxpayer having purchased said automobiles at the respective dates and at the respective purchase prices set forth in said Exhibit.

6. Depreciation, in the respective amounts of $77,972.71 and $92,890.05 for the years 1950 and 1951 was claimed on petitioner's tax returns for these years. Depreciation was computed on the basis that these automobiles had an estimated useful life of four years, with no salvage value, at the end of the four-year period.

7. Respondent has computed the amount of allowable depreciation on automobiles for the years 1950 and 1951 using an estimated useful life of 17 months and a salvage value of $1,325.00, or the amount of undepreciated cost at January 1, 1950, if less than $1,325.00.

8. For the years 1950 and 1951 petitioner has reported gains and losses on the sale of automobiles as gains and losses on the sale of assets used in the

trade or business of a character subject to an allowance for depreciation.

9. Petitioner loaned to Aero U-Drive, Inc., a total of $3,500 represented by three notes. These notes are in the amounts of $1,000, $1,000, and $1,500 and are dated December 17, 1948, January 10, 1949, and November 1, 1949, respectively. These notes became worthless in 1951.

10. During the year 1943 and years subsequent thereto, petitioners acquired approximately 74½ acres of undeveloped land near Bellevue, Washington. Petitioners maintained their residence on the property and operated a part of the property as a farm.

11. In the early part of 1950 petitioners transferred this property to a corporation known as the Surrey Development Company which was formed for the purpose of developing and selling real estate.

12. In March, 1951, Surrey Development Company was liquidated and petitioners reacquired the title to the property. The liquidation was carried out under Section 112 (b) (7) of the Internal Revenue Code of 1939.

13. With the exception of one lot the entire tract, including petitioners' personal residence was sold by petitioner to Louisa C. Frye, Inc., in April, 1951, for $100.00. Petitioner purchased a new personal residence on January 30, 1952, for $26,600.00.

14. In March, 1950, petitioner, as an individual, became engaged in the home construction business

under the name of "Bellevue Builders." During the year 1950 an experimental house was built. The house was on a lot purchased from Surrey Development Company. The house was sold in January, 1951, at a loss of $3,514.22.

15. Original tax returns filed by petitioner with respondent, if placed in evidence, may be withdrawn and photostatic copies substituted with underlining in red to indicate figures typed in red upon such returns.

/s/ LYLE L. IVERSEN,
Attorney for Petitioners;

/s/ HERMAN T. REILING, WHP
Acting Chief Counsel, Internal Revenue Service,
Counsel for Respondent.

Filed at hearing February 5, 1957.

[Title of Tax Court and Cause.]

FINDINGS OF FACT AND OPINION

Petitioner was engaged in the business of leasing automobiles. During the taxable years he leased all of his automobiles to U-Drive. U-Drive leased automobiles to customers for extended periods of time and rented automobiles to the public for short periods of time. U-Drive's business required that petitioner keep it well stocked with late model, modernly equipped automobiles. The leased automo-

biles were returned to him at the termination of the leases and the rented automobiles were usually returned within 15 months of their original purchase by petitioner. Petitioner sold these automobiles immediately. *Held*, useful life and salvage value of the automobiles determined, for the purpose of depreciation.

LYLE L. IVERSEN, ESQ., AND
DONALD J. YELLON, ESQ.,
For the Petitioners.

JOHN H. WELCH, ESQ.,
For the Respondent.

Memorandum Findings of Fact and Opinion

Tietjens, Judge:

The Commissioner determined deficiencies in the petitioners' income taxes for the years 1950 and 1951 in the respective amounts of $32,847.62 and $49,514.04. The petitioners conceded that certain adjustments made by the Commissioner were correct. The Commissioner also conceded that certain of his adjustments were improper. The only issue left for our decision arises from the Commissioner's partial disallowance of claimed depreciation deductions. He determined that automobiles used in the petitioners' business had a shorter useful life than claimed and also a salvage value. A stipulation of certain issues in controversy was filed by the parties. It is incorporated herein by this reference.

Findings of Fact

The stipulated facts are so found and are incorporated herein by reference.

The petitioners, Robley H. Evans and Julia M. Evans, are husband and wife. They reside in Bellevue, Washington, and filed their joint income tax returns for the years 1950 and 1951 with the collector of internal revenue for the district of Washington.

During the years 1950 and 1951 Robley was engaged in the business of leasing automobiles in the vicinity of Seattle. He has been in that business as a proprietor since 1936. During 1950 and 1951 Robley leased all of his automobiles to Evans U-Drive, Inc., (hereinafter referred to as U-Drive) a corporation, at the rate of $45 per month per automobile.

U-Drive was organized in 1949. All of its outstanding stock was held by Robley's son, Robert J. Evans, until near the end of 1951 at which time Robley acquired a portion of the stock. Robley was the manager of U-Drive.

The lease agreement between Robley and U-Drive provided that Robley would furnish and lease to U-Drive a sufficient number of automobiles to efficiently operate and conduct an automobile rental business. Robley retained title to the automobiles and had the right to sell and dispose of any of the automobiles at any time. U-Drive agreed to pay all expenses of maintenance and repair of the auto-

mobiles and also to keep the automobiles insured against liability for personal injury or property damage. U-Drive also assumed the risk of loss or damage. A supplemental agreement dated December 1, 1951, gave U-Drive an option to purchase any automobile in its possession at any time, for the actual cost of the automobile to Robley.

U-Drive engaged in two types of activity during the taxable years. It leased about 30 to 40 per cent of its automobiles to customers for long periods of time, i.e., 18 to 36 months and it rented the remainder of its automobiles to the general public on a short-term basis, i.e., for a few hours, a few days, or a few weeks.

Robley normally kept a supply of Chevrolet, Ford and Plymouth automobiles on hand, which he purchased new from local automobile dealers, usually at the factory price. He endeavored to maintain a modern fleet of rental automobiles as this was necessary to meet the demands of U-Drive's leasing and rental business.

Robley periodically owned more automobiles than were necessary for the efficient operation of U-Drive's short-term rental business. When this situation occurred, he would examine the cars in use and would sell those that were not needed. The oldest and least desirable automobiles were sold first. When sold, the automobiles usually had been driven an average of 15,000 to 20,000 miles and were generally in good mechanical condition. Many auto-

mobiles were sold at the end of the tourist season, i.e., after Labor Day.

At the termination of U-Drive's extended period leases, the automobiles would be returned to Robley who would sell them. When sold, the automobiles might have been driven up to 50,000 miles. They were usually in good mechanical condition and state of repair at the time of sale.

The surplus automobiles sold by Robley could have been used longer than they were; however, customers demanded late model automobiles that were currently in style. Older automobiles did not have much value as rental vehicles. During the taxable years, Robley sold the automobiles used by U-Drive in the short-term rental phase of its business after they had been used about 15 months. And he usually sold the automobiles which had been leased for extended periods as soon as the lease was terminated. If a new lease was executed, a new car was usually provided for the lessee.

Robley sold most of his surplus automobiles to used car dealers, jobbers, or brokers. As a general rule, the automobiles were sold at current wholesale prices. Robley did not advertise the sales of his automobiles nor did he maintain a showroom or any other retail facilities for sale of his surplus automobiles.

Robley's tax returns for 1950 and 1951 disclosed that he sold 140 and 147 automobiles, respectively, in those years. The average cost, sales price, de-

preciation claimed, and gain per automobile, were approximately as follows:

Year	Cost	Sales Price	Depreciation Claimed	Gain
1950	$1,650	$1,380	$515	$245
1951	1,495	1,395	450	350

Most of the automobiles sold had been held by Robley less than 15 months.

On his tax returns for the years 1950 and 1951 Robley claimed depreciation on the automobiles he leased to U-Drive in the respective amounts of $77,-972.71 and $92,890.05. These amounts were computed and the deductions claimed on the basis that the automobiles had an estimated useful life of 4 years, with no salvage value at the end of the 4-year period.

The Commissioner determined allowable depreciation on these automobiles for the years 1950 and 1951 on the basis of an estimated useful life for each automobile of 17 months and a salvage value of $1,325 at the end of the 17-month period, or the amount of undepreciated cost at January 1, 1950, for automobiles in use at that date, if less than $1,325.

The automobiles leased to U-Drive during the taxable years for use under extended term leases, had a useful life of 3 years and a salvage value of $600. However, if the undepreciated cost of such automobiles in service at January 1, 1950, is less than $600, then that amount will be the salvage value of those automobiles.

The automobiles leased to U-Drive during the taxable years for short-term rental use, had a useful life of 15 months and a salvage value of $1,375. However, if the undepreciated cost of such automobiles in service at January 1, 1950, is less than $1,375, then that amount will be the salvage value of those automobiles.

Opinion

The sole question for decision relates to the rate of depreciation to be used by Robley upon automobiles used by him in his business of leasing automobiles to U-Drive, a corporation owned solely by his son until the latter part of 1951, at which time Robley acquired a portion of the stock. U-Drive engaged in two types of activities. It leased about 30 to 40 per cent of its automobiles to customers for extended periods of time (18 to 36 months) and it rented the remainder of its automobiles to the public for short periods of time (a few hours, days, or weeks).

Section 23(l) of the Internal Revenue Code of 1939 provides for the deduction of a reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence) of property used in the trade or business.

Regulations 111, Section 29.23(l) provide that the proper allowance for depreciation is that amount which should be set aside for the taxable year whereby the aggregate of the amounts so set aside, plus the salvage value will, at the end of the

useful life of the property, equal the cost or other basis of the property. See also United States v. Ludley. 274 U. S. 295 (1927). The reasonableness of depreciation claimed is to be determined in the light of conditions known to exist at the end of the period for which the return is made. Leonard Refineries, Inc., 11 T.C. 1000 (1948).

Robley has consistently claimed deductions for depreciation on the basis that his automobiles had a useful life of 4 years, with no salvage value at the end of the 4-year period. The Commissioner however determined allowable depreciation on Robley's automobiles for the taxable years on the basis of an estimated useful life of 17 months and a salvage value of $1,325, or the amount of undepreciated cost at the beginning of the first taxable year for automobiles in use at that date, if less than $1,325.

Robley has engaged in the business of leasing automobiles as a sole proprietor since 1936. During World War II and for several years thereafter, automobiles were scarce and Robley was forced to use his automobiles for long periods of time before selling them and acquiring new ones. Depreciation claimed by Robley on the basis of a useful life of 4 years may not have been unreasonable during that period, though we think he still should have provided for a salvage value in his computation.

However, in 1949, when new automobiles were more easily obtainable, Robley's son organized U-

Drive, and Robley began leasing all of his automobiles to that corporation. Robley's lease agreement with U-Drive provided that he would furnish and lease a sufficient number of automobiles to operate and conduct an automobile rental business efficiently. To carry out the lease, Robley thus had to provide automobiles to U-Drive with which the latter could meet competition and that competition required him to furnish U-Drive with late model automobiles with modern equipment, i.e., automatic transmissions, etc.

Robley would furnish new automobiles to U-Drive for its extended period leases. At the termination of those leases some 18 to 36 months later, the automobiles would be returned to Robley who would then sell them. If the customer renewed his lease, he would be provided with another new automobile. Current model automobiles were provided for the short-term rentals. Many of these were returned to Robley at the end of the tourist season, when demand for rental automobiles subsided, and they were sold by him at that time. Robley would start to purchase new model automobiles as soon as they came on the market in order to replenish his fleet and would continue doing so, as required by U-Drive's needs. Thus Robley was continually buying new automobiles and selling "old" ones as they were returned to him by U-Drive even though many of the latter automobiles were barely "broken in." U-Drive's competition required this method of operation and in view of

this change in Robley's operations, we think that the Commissioner was justified in adjusting Robley's method of depreciating his automobiles. However, we think that the Commissioner's adjustment should have taken into consideration the two different uses made of the automobiles leased to U-Drive, i.e., extended-term leases and short-term rentals.

We have made a finding, and we so hold, that the automobiles which Robley leased to U-Drive during the taxable years for use under extended term leases, had a useful life of 3 years and a salvage value of $600, and that the automobiles which it leased to U-Drive for short-term rentals had a useful life of 15 months and a salvage value of $1,375. If the undepreciated cost of the automobiles in service at January 1, 1950, is less than $600 and $1,375 for the respective classes of automobiles, then that amount will be the salvage value of those automobiles. See J. W. McWilliams, 15 B.T.A. 329 (1929).

Decision will be entered under Rule 50.

Filed: July 31, 1957.

Entered: August 1, 1957.

Served: August 1, 1957.

Tax Court of The United States
Washington

Docket No. 58067

ROBLEY H. EVANS AND JULIA M. EVANS,
Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

DECISION

Pursuant to the determination of the Court as set forth in its Memorandum Findings of Fact and Opinion, filed July 31, 1957, the petitioners and respondent filed differing computations of tax. Hearing was had on February 5, 1958, at which counsel for petitioners and respondent were present, and petitioners filed an amended computation. After due consideration, it appearing that the amended computation filed by the petitioners is consonant with the determination of the Court and that the computation filed by the respondent is not, the petitioners' amended computation is approved, and it is

Ordered and Decided: That there are deficiencies in income tax for the years 1950 and 1951 in the respective amounts of $13,191.52 and $13,048.12.

[Seal] /s/ NORMAN O. TIETJENS,
Judge.

Entered: February 7, 1958.

Served: February 10, 1958.

The Tax Court of the United States

Docket No. 58067

In the Matter of:

ROBLEY H. EVANS, et al.,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

TRANSCRIPT OF PROCEEDINGS

Tuesday, February 5, 1957

The above-entitled matter came on for hearing, pursuant to Calendar Call, at 9:45 o'clock a.m.

Before: The Honorable Norman O. Tietjens.

Appearances:

LYLE L. IVERSEN,
DONALD J. YELLON,
On Behalf of the Petitioner.

JOHN H. WELCH,
On Behalf of the Respondent.

* * *

Proceedings

The Clerk: Docket No. 58067, Robley H. Evans. State your appearances, please.

Mr. Iversen: I am Lyle L. Iversen, and there is Mr. Donald J. Yellon.

Mr. Welch: John H. Welch, appearing for the Respondent.

The Court: Do you wish to make an opening statement, please?

OPENING STATEMENT ON BEHALF OF THE PETITIONER

By Mr. Iversen:

We have arrived at a stipulation of a portion of the facts and I will hand in that stipulation now. The stipulation is as to so many of the facts as we have been able to agree upon and, of course, is not a complete stipulation of facts.

This action involves several different issues in regard to the taxpayer's returns for the years 1950 and '51. These issues are somewhat different and to a considerable extent unrelated, and consequently we propose to take them up one by one so we can keep the issues somewhat separated. [4*]

* * *

During the time that this was going on, the Petitioner was engaged regularly, in his regular employment, which is the renting and leasing of automobiles at Seattle. [4-A]

* * *

Now we come to the next issue, and this is a rather distinguished issue from the ones I have previously covered.

*Page numbering appearing at top of page of original Reporter's Transcript of Record.

The taxpayer, we will show, has been for a number of years engaged in the business of leasing and renting automobiles [6] in the City of Seattle. Now, this question involves; the next issue involves the question of capital gains on these automobiles when they are disposed of and also the question of the depreciation of these automobiles. Our evidence will show that he customarily purchases automobiles for the purposes of the leasing and renting operations which are distinguishing in that leasing is where they let out a car to a particular customer for a term in excess of a year, and renting is the ordinary casual rental where the customer comes in and takes the car for a day or for a shorter period. He buys these cars and they are used in this business and after a period they become excess to the business and are disposed of. Evidence will show that the petitioner during the years 1950 and '51 had an arrangement with a corporation, Evans-U-Drive, Incorporated. During most of the period the stock in that corporation was held entirely by his son. During the latter part of the period he acquired a portion of it, but at all times he was manager of Evans-U-Drive, Incorporated, but in his own capacity he purchased the cars and leased them to Evans-U-Drive, Incorporated, at a rate of 45 per month per car. When the needs of the Evans-U-Drive dictated, cars were purchased and when the needs of Evans-U-Drive dictated cars were disposed of as surplus. We will show that in the disposition of these cars retail sales were not made. He had no retail facilities and the manner of disposing of them was,

generally inquiries would come from [7] wholesale dealers who knew from time to time there would be cars to be disposed of here and these dealers would inquire and the cars would be sold to the dealers at wholesale prices, and that the disposition of the cars was dictated strictly by the needs of the rental and leasing business and that frequently these sales were made at times at the lowest wholesale prices and generally with regard solely to the leasing and rental business rather than to the wholesale market.

Our evidence will show that these were depreciable property used in the business under Section 117, that they were held over six months and the taxpayer claimed capital gains on the proceeds of the sales of these cars.

The Commissioner disallowed the capital gain and contended they were sold in the ordinary course of business. That is our next issue, whether these are capital gains as distinguished from ordinary income.

Our next issue is the matter of the depreciation of these automobiles. The taxpayer had over a long period of time reported these cars as having a useful life of four years. We will show that this depreciation basis had been approved by the Bureau on previous examinations and nothing had occurred to change the basis, and that neither the holding time of the cars nor the selling price were predictable items as the cars were purchased. The holding time and selling price for the two years in question are not constant, they are something that [8] may be varied or applied to others, and that during these two years that there were no different situa-

tions than there had previously been, where the property was depreciated over a period of a four-year life.

* * *

OPENING STATEMENT ON BEHALF OF THE RESPONDENT

By Mr. Welch: [9]

* * *

Of course, that gets back to the big point in the case and that is the question of the useful life and salvage value of the automobiles. In that case we have a taxpayer who maintains a fleet of somewhere between one hundred fifty and two hundred fifty automobiles and they are constantly being replaced. And the evidence will show that, the income tax returns have a detailed schedule and they will be offered. They show the dates of acquisition and dates of sale and various other information with respect to the cars. Now, respondent's determination in this case is that those automobiles had a useful life of seventeen months and that is based on a forty-year experience of the taxpayer in this particular activity, and at the end of that seventeen-month period respondent's determination is that the automobiles had a salvage value of $1,325 per car. Now, the allowable depreciation has been computed with those two factors in mind and the adjustments to the depreciation claimed on the return are rather substantial. In 1950, a sum of fifty-six thousand dollars plus has been disallowed as being excessive [11] depreciation, and in 1951, the sum of

sixty-two thousand plus has been disallowed as excessive. That is really the big point in this case. That is the difference between the taxpayer claiming a four-year life on his automobiles with no salvage value and respondent's determination that the cars have a useful life of seventeen months in this business, this business being the leasing and rental of automobiles, and the fact will show as to whether the cars have no longer life than that.

The Court: You mean customers want a new car every time they go to rent one?

Mr. Welch: That is correct and it is understood in this business. That is the case.

Now, in making that determination we have made substantial adjustments in the amount of gain or profit realized when these cars were sold, but in making this adjustment there still is remaining in the deficiency notice a small profit that was produced when the cars were sold and we have treated that as ordinary income, so our position is somewhat in the alternatixe because we have adjusted the useful life and we have adjusted the depreciation and in taking that action we have cut down the amount of gain or profit considerably. Now, if the court should adopt some other useful life or some other salvage value, then, that would affect the basis and require some recomputations as to the residual amount which would be considered neither as capital gain or ordinary income, depending on how [12] the court will decide that question. And it will be shown that there were a large number of sales in each year. There were over a hundred and

forty sold in 1950 and 147 in 1951, and those sales constitute quite a volume. There is enough turnover, respondent feels, to constitute a business.

The Court: A separate business, from the business of renting the cars?

Mr. Welch: Yes.

The Court: It could be considered all one business and it was the natural course of things that these cars had to be disposed of because they were no longer useful in the rental business.

Mr. Welch: If that be the case, your Honor, that would virtually, in my opinion, fix the useful life, because they are no longer useful in the business.

The Court: You mean this is a case where you can't lose?

Mr. Welch: Well, I don't say I can't lose and I don't like to express this completely in the alternative.

The Court: I am surprised there haven't been cases in this field before that we have decided, but I can't put my finger on any right now.

Mr. Welch: I only know of one, and the depreciation question wasn't raised. The other question was raised there.

The Court: Maybe these automobile dealers where they [13] have floor cars might have some bearing on it.

Mr. Welch: Rather than to express it completely in the alternative, respondent's position as shown in the statutory notice is that there are really two activities going on, and my point is that if the useful life and salvage value is fixed by finding.

then there will have to be some recomputation with respect to the profit gained and derived from the sale because the basis is going to have to be adjusted.

The Court: And we will have to determine what the nature of the profit is.

Mr. Welch: That is all I have at this time. [14]

* * *

Mr. Iversen: I will recall Mr. Evans.

I might state to the Court that that concludes the first phase of the matter. Now we will take up another phase.

ROBLEY H. EVANS

recalled as a witness for and on behalf of the Petitioner, having been previously sworn, was examined and testified further as follows:

Direct Examination

By Mr. Iversen:

Q. You are the same Mr. Evans that was on the stand [63] previously? A. Yes.

Q. Mr. Evans, what is your business and occupation?

A. Leasing and renting automobiles.

Q. Was that your business in 1950 and '51?

A. Yes, sir.

Q. How long have you been in that business?

A. I have been in the business under my own ownership since 1936, and prior to that from 1924 to 1936, I worked for others in the same business in various capacities.

(Testimony of Robley H. Evans.)

Q. Will you describe what that business is, what was it in 1950 and '51? Give us a general description?

A. It was the business of leasing automobiles under a contract to a corporation.

Q. Well, can you give us a general description of what your setup was there in 1950 and '51? What you did and what the corporation did?

A. I leased the cars to the corporation because the corporation did not have sufficient funds.

Q. What was the name of the corporation?

A. Evans-U-Drive, Incorporated.

Q. When was that formed?

A. That was formed, I think, in 1949.

Q. On what basis did you lease the cars to them?

A. At the outset they were leased at the rate of $45.00 [64] per month per car for the smaller vehicles and the corporation did all the maintenance work on the cars, I was not involved in that. And they were to be returned to me at the end of their period in good condition, reasonable wear and tear accepted.

Q. Was there any agreement between you and the corporation?

A. Yes, sir, there was.

Mr. Iversen: Again I am going to offer these and I would like to substitute photostatic copies, I have the originals here. If there is no objection on that score, I will ask the Clerk to please mark these three documents.

(Testimony of Robley H. Evans.)

The Clerk: Petitioner's Exhibit No. 9 marked for identification.

(Petitioner's Exhibit No. 9 was marked for identification.)

Q. (By Mr. Iversen): I hand you what has been marked as Petitioner's Exhibit No. 9 for identification, which you will note contains three documents stapled together. Will you state what is contained in Petitioner's Exhibit 9, what those are?

A. It is a series of agreements between myself and the Evans-U-Drive Corporation. There is an original agreement and several supplemental agreements.

Q. When was the original agreement entered into? [65] A. July 15, 1949.

Q. And the first supplemental one, when was that entered into?

A. First day of August, 1949.

Q. When was the second supplemental?

A. First day of December, 1951.

Q. Are these the documents under which the leasing arrangements were carried out?

A. Yes.

Mr. Iversen: I offer Petitioner's Exhibit 9.

Mr. Welch: There will be no objection.

The Court: I understand there is no objection so they will be admitted.

(Petitioner's Exhibit No. 9 was received in evidence.)

(Testimony of Robley H. Evans.)

Q. (By Mr. Iversen): What did the business of Evans-U-Drive consist of?

A. The corporation engaged in the business of leasing vehicles to customers for long periods of time, usually from 18 to 36 months, that was the leasing phase of the business. The other phase of the business was the renting of cars to the general public on what we term a transit or short-term basis. That might be for a few hours or a few days or several weeks.

Q. Now, the stipulation covers the stock ownership in the business, who actually was the manager of it? [66] A. I acted as manager.

Q. During 1950 and '51, did you have income from sources other than your car leasing business?

A. In 1950 I had some farm income. Then, I had income as manager for the corporation.

Q. Substantially how much of your time was taken up with the leasing and rental business?

A. Practically all of my business hours.

Q. Now, with respect to the automobiles that were used in this business, what caused you to acquire cars?

A. Cars were acquired to meet the demands of the business itself, that is, of the leasing and renting business. These demands would fluctuate from time to time, depending on seasonal influences, but the cars were purchased strictly for the use of the rental and leasing business.

Q. Did you acquire any cars for the purpose of sale? A. No, sir.

(Testimony of Robley H. Evans.)

Q. What were the considerations that would cause you to dispose of cars?

A. That was necessitated by the realization of a surplus of cars due to several reasons. The primary reason, I think, would be the rapid decline of business on and after Labor Day. We enjoyed a seasonal tourist business here, but we had cars we could not use after Labor Day. Also there was the return of leased vehicles due to the cancellation of the particular [67] lease or the renewal of a lease which required new automobiles and the old ones, of course, returned. And these cars also created a surplus which we found necessary to dispose of.

Q. With respect to this Labor Day date that you speak of, what happened in regard to disposing of cars? I believe you have indicated that is when your lease time came. A. Yes.

Q. Did you dispose of them immediately or did you hold them for market?

A. No, we sold them as soon thereafter as possible. We had a problem with that. We had storage and we were faced with the problem of storing and paying rent and there was no point in holding them until next spring, so we sold them as rapidly as they were available or surplus in our fleet.

Q. With reference to the state of the wholesale market, did you hold cars when they became surplus?

A. No, we paid practically little or no attention to the wholesale market; we were unable to; we didn't think it was good business and it was

(Testimony of Robley H. Evans.)

burdensome to gear out disposing of cars to any wholesale market or any other market.

Q. When you had a surplus on hand, how did you select the particular cars that you would dispose of?

A. Well, of necessity, we like to keep our rental fleet in as good condition as possible so as a rule I would survey the cars and select perhaps at first those that had been [68]damaged or the upholstery had been burnt or torn or otherwise soiled and we would usually dispose of those cars first.

Q. Just what was the means by which you disposed of the cars? How did you go about it?

A. The cars were sold mainly to used car dealers or jobbers or brokers, people who dealt in automobiles.

Q. Did you do any advertising of your cars for sale?

A. No, we did not. We did no advertising of any sort.

Q. Did you have any retail sales facilities such as used car lots or anything like that?

A. Never had any used car lot or sales agency under my own name or any other or associated with anybody in such endeavor.

Q. Did you employ salesmen? A. No, sir.

Q. Were you ever listed in the telephone book or any classified advertising as a dealer in automobiles?

A. No, sir, not for the years in question or any other years.

(Testimony of Robley H. Evans.)

Q. How did the people who were interested in cars get in touch with you about purchasing them?

A. Oh, I would say that it was general knowledge among used car dealers that we would occasionally have cars for sale. I think that they would know that there would be cars available at times and they would approach me to see if we had any to [69] dispose of at the time they were interested in acquiring cars.

Q. Did you have to go out and seek out your purchasers?

A. No, they all came to me, it wasn't necessary.

Q. Did you have a ready market for your surplus cars?

A. Pretty much, it wasn't difficult to move them in wholesale channels.

Q. With respect to the number of cars sold at a time, what was the situation generally?

A. Oh, we would sell anywheres from maybe just one car to perhaps eight or ten to a particular dealer.

Q. Was it customary to sell cars singly to people?

A. It wasn't customary, but we did do it.

Q. Generally about what were the prices with respect to the market that you sold your cars at during these years?

Mr. Welch: I object to that. I think that that matter has been stipulated, and, moreover, the tax returns are in evidence.

Mr. Iversen: I don't think there is anything stipulated on that.

(Testimony of Robley H. Evans.)

The Court: No particular price, it is just the relationship of the price he was selling at and the general market price.

Mr. Welch: If he has knowledge which of course is the matter——

Mr. Iversen (interrupting): Let's see if he [70] can.

The Court: You may answer if you know.

A. I got the best wholesale price I could get for each vehicle at the time it was disposed of and that price was something, of course, under the going retail price, I think roughly, as a rule, it was about two hundred dollars less than the retail price for a particular vehicle.

The Court: You made no attempt to get the retail price?

The Witness: No, sir.

Q. (By Mr. Iversen): Why didn't you sell to retail customers?

A. Oh, there were several reasons. First of all, I am not much of a salesman and I think successful selling of cars requires a certain amount of natural horse-trading ability, which I don't possess. I was fearful that anything I might enter into in selling cars I couldn't handle. And then, again, we couldn't sell cars from our own place of business because there is a general misapprehension amongst the public at large that you-drive cars are not good automobiles to buy. If we sold them from our own place we would have that sales resistance, so I would have

(Testimony of Robley H. Evans.)
had established a lot outside to sell these cars. I felt perhaps it would also become known that these were you-drive cars and we would not be able to get the full retail price for them.

Mr. Iversen: On this issue now you may examine. [71]

Cross-Examination

By Mr. Welch:

Q. Mr. Evans, you have used an expression "wholesale." Now, by wholesale you mean a transaction to a person who is a dealer in cars?

A. Generally speaking, yes, sir.

Q. That would be a used car dealer?

A. Or broker or anyone engaged in the used car business.

Q. Well now, could you name perhaps one or two of the dealers with whom you have regular dealings?

A. Oh, yes, Verhey Motor Company of Everett, Washington; Kerr Motor Company; a man by the name of Myers of Everett, Washington. I could name a lot of them.

Q. You are able to sell cars from time to time to these various dealers whom you mentioned?

A. Yes, sir.

Q. And others? A. Yes, sir.

Q. Do you contact them personally or is that done through someone else?

A. They come into the office or the garage. This is a situation that has grown up from several years

(Testimony of Robley H. Evans.)

Q. Do you make a regular announcement or something of the sort that you have certain cars that you are retiring from your fleet or something of the sort? [72]

A. No, sir, I don't.

Q. They just drop around from time to time and see what you have?

A. Yes, that is correct.

Q. You say it is your policy to retire the oldest cars, that is, you make a decision as to which cars you are going to take out?

A. That is correct, yes, sir.

Q. Do you ever sell a current model car in good condition?

A. I have not sold a current model car in good condition. I have on occasion purchased a new car for a friend on an accommodation sale but I have never sold them other than that.

Q. I hand you your 1950 and 1951 tax returns, Respondent's Exhibit B and C and ask you to refer to the attached schedules here which describe the sales of one entitled long-term loss schedule, of short-term gain schedule, of long-term capital gains of 1950. Now, the schedule of short-term gains here shows on five or six sales of cars that were held less than six months, is that the accommodation sale type of thing?

A. I would have to refresh my memory.

Two of these cars were purchased by the corporation, because, I think, they had been damaged

(Testimony of Robley H. Evans.)

beyond repair and the other two, I think, are perhaps accommodation sales.

Q. Did the corporation have some cars during 1950 and [73] '51?

A. Yes, they were able to acquire a few cars.

Q. It didn't have a quantity of cars that you had individually?

A. That is correct. I think one of these cars was badly wrecked and sold for junk.

Q. What make car is usually handled, who is the manufacturer?

A. They will run in the order of Chevrolet, Ford and then Plymouth.

Q. And you buy these from local dealers as new cars? A. Yes.

Q. You don't buy directly from the factory?

A. May I qualify that statement, please?

Q. Yes.

A. We buy from the dealer, but the dealer is, in turn, reimbursed by the factory for the cars he sells to us. He is reimbursed on an allotment basis.

Q. You purchase at a price that is not retail?

A. That is correct.

Q. Say, factory price?

A. That is right, the factory backs up the dealer.

Q. Who makes the delivery of these cars to you?

A. The dealer.

Q. And you take delivery in Seattle? [74]

A. In most cases we have taken delivery outside of the area for leased cars that are used in other areas, but mostly in Seattle.

(Testimony of Robley H. Evans.)

Q. Is there an individual lease on each car to the corporation or are they all covered in the one agreement?

A. They are all covered in one agreement.

Q. There would be no problem of selling the car, if the occasion arose to sell it, so far as having to cancel the lease or anything of that sort, as between you and the corporation?

A. I don't think I understand you.

Q. No problem arises in that respect; you are free to sell a car at any time as the owner, despite this agreement you have with the corporation?

A. Oh, I think that is true. I was free to sell the car if I wished, but good tactics would dictate that I wouldn't enter into that program.

Q. After Labor Day, as a seasonal matter, you say that you had a surplus of cars on hand, is that the time when you did most of your selling or disposing, as you perhaps want to refer to it?

A. After Labor Day until such time as the new cars become available.

Q. Now, the new models would normally come out about what time of the year? [75]

A. In '50 and '51 they were not announced until around January, but they actually didn't become available until maybe February or the first of March. Of course, we didn't need many at the time, but we did start buying about that time.

Q. The cars that are sold to these used car dealers are, what is their general condition at the time

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(Testimony of Robley H. Evans.)

they are sold, their physical condition and state of repair?

A. As a general proposition, they are in pretty fair shape. There are the exceptions which I think we try to dispose of earlier, the cars with upholstery damaged or otherwise not desirable, we got rid of those first. By and large they were in pretty good shape.

Q. About how much mileage would they have?

A. That would depend on whether it was a transit vehicle or a leased vehicle. If a transit, I would guess the mileage 15,000 to 20,000, if a leased vehicle, the mileage might run up to 50,000.

Q. And the car itself would have an age of somewhere between 12 and 24 months at that time?

A. The taxable year we are talking about now?

Q. I am talking about the length of time you owned it.

A. In the taxable years they would be anywhere from 12 to 36 months old.

Q. Most of the cars were current models that you kept, were they not? [76]

A. I must back up on that just a little bit. At the beginning of the year we probably had most of the last year's models, that is, in '50 we probably had mostly '49 cars, and then during the year of '50 that would be gradually changed so we would wind up at the end of the year with mostly 1950 model cars on hand. There, again, you have to qualify the difference between the lease and transit phase. In

(Testimony of Robley H. Evans.)
the lease phase it would probably be current at the end of 1950, but in the lease phase we would be operating cars from '48 or '49.

Q. Isn't it considered good business in the car rental business to have a fresh stock of current models?

A. Most definitely it is, it is brought about by competitive, competition brought about by customer demand.

Q. There is considerable local competition?

A. Yes, there is.

Mr. Welch: No further questions on this issue at this time. I am assuming that we are only covering the question of whether any of these cars are held for sale.

Mr. Iversen: Yes, the capital gain issue.

Redirect Examination

By Mr. Iversen:

Q. About what per cent of your cars went to this Mr. Verhey that you named during the years in question?

A. Mr. Verhey was a very good customer and I think we perhaps in these years disposed of roughly around three hundred [77] cars.

Q. What do you mean by accommodation sales?

A. During those years cars were not necessarily too plentiful and sometimes could not get the particular kind of model that they wanted and they would ask me to intercede for them and secure a car for them, which I was able to do.

(Testimony of Robley H. Evans.)

Q. Did you make any profit on that business?

A. No. I generally marked the car up about ten or fifteen or twenty dollars to take care of my bookkeeping expenses.

Q. Was that open to the public?

A. No, sir.

Mr. Iversen: That is all I have on this issue.

I am going to call another witness. Would Your Honor let me call him after lunch so I don't have to split that.

The Court: I intended to recess for lunch until 2 o'clock.

Mr. Iversen: You may step down, Mr. Evans. You are excused.

(Witness excused.)

The Court: We will recess until 2 o'clock.

(Whereupon, a recess was taken until 2 o'clock p.m.)

Afternoon Session

The Court: We will continue with the matter at hand.

Mr. Iversen: If the Court please, I now have the photostats of the copies of the returns for 1946 and '47. [78] Inasmuch as the original returns are not present, I would like to offer the taxpayer's copies. It will be noted that these are not signed, they are simply the taxpayer's copies and I am offering them as secondary evidence, but they are true copies.

Mr. Welch: Respondent has no objection, your Honor.

The Clerk: Petitioner's Exhibits Nos. 10 and 11 marked for identification.

The Court: They will be admitted.

(Petitioner's Exhibits Nos. 10 and 11 were received in evidence and marked for identification.)

Mr. Iversen: Mr. Verhey, will you take the stand, please?

Whereupon,

BERNARD VERHEY

called as a witness for and on behalf of the Petitioner, having been first duly sworn, was examined and testified as follows:

The Clerk: State your name, please.

The Witness: Bernard Verhey.

Direct Examination

By Mr. Iversen:

Q. Where do you live, Mr. Verhey?

A. Everett, Washington.

Q. What is your business?

A. I operate an automobile agency. [79]

Q. What is the name of the agency?

A. Verhey Motor Company.

Q. Were you in that business in 1950 and '51?

A. Yes, I have been there since 1935.

Q. What do you do in your business?

(Testimony of Bernard Verhey.)

A. I buy and sell automobiles.

Q. Was that your business in 1950 and '51?

A. Yes, sir.

Q. Were they new or used cars?

A. Used cars.

Q. How long have you been engaged in the business of dealing with used cars?

A. Since 1935.

Q. During 1950 and '51, did you purchase any cars from Mr. Robley H. Evans? A. Yes.

Q. About how many cars did you purchase from him at that time?

A. I would say, in the neighborhood of a hundred.

Q. And what sort of prices, I am not asking for figures on it, but what sort of prices did you pay for them with respect to wholesale, retail, or their relationship to the market?

A. We have a book that we follow. There is a wholesale and retail on the book and if the car is in average or above average condition we pay low book for it. [80]

Q. Is that book a retail or a wholesale price?

A. It is a wholesale price, sir.

Q. With respect to the cars that you bought from Mr. Evans in 1950 and '51, were they in good operating condition?

A. Yes, I found his cars to be in very fine shape.

Q. About how many miles of operation would you say generally those cars had on them when you would buy them?

(Testimony of Bernard Verhey.)

A. As I recall, it was between nine and ten thousand miles on the average car at that time.

Q. How did you happen to go to Mr. Evans for cars?

A. Back in 1947 I used to buy a lot of cars from a car dealer by the name of Atteberry at Sixth and Lanory, and at times he wasn't able to supply me so at one time I asked him where I might buy some and he suggested that I go over to Fifth Avenue and talk to Mr. Evans. And I believe that was back in 1948, either '47 or '48 that I started buying cars from Mr. Evans. At that time he was located on Fifth Avenue. I don't know the exact address.

Q. What kind of an establishment did you find there when you went to Evans?

A. He was renting cars at the time. It was a U-Drive place.

Q. Had you ever seen any advertising or solicitation with respect to his selling cars?

A. No, I hadn't. [81]

Q. When you went there either that time or any other time had there been any solicitation to you by him of the business of selling cars? A. No.

Q. Did you at any time, either then or subsequently, ever see any advertising of used cars for sale by Mr. Evans?

A. I never noticed any, no, sir.

Q. When you went to him with respect to cars as you have related, what occurred?

A Well, I drove the cars and I told Mr. Evans

(Testimony of Bernard Verhey.)

what I would pay and, as I recall, I bought a couple that day. And later I went back and since then I have been buying ever since from him.

Q. How do you know when to contact him?

A. I do most of my buying here in Seattle and he, as I understand it, he buys these cars about $50 off dealers' cost, possibly a hundred, and there is no new car dealer that can compete with the price that he sells them to us at. That is why I have gone back to him.

Q. Do you know whether or not other dealers go to him in the same way that you do?

A. I at one time had a brother and brother-in-law that operated a car lot at Sunnyside, Washington, and I told them about buying through him and I know they have purchased some cars through him. I have told Ernie Rutger at Bellingham and [82] Lynndale about buying there.

Q. Has Mr. Evans ever paid you anything for referring dealers to him? A. No, sir.

Q. How are the prices arrived at that the cars are sold to you for?

A. As I told you before, we go by a book, it is called the N.A.D.A. book. If a car is in good condition we pay low book for them. This book is issued every thirty days.

Q. In the purchase of these cars, did you inspect them yourself?

A. Yes, I do all of my own buying.

Q. Did the inspection that you made of the car have anything to do with what you paid for it?

(Testimony of Bernard Verhey.)

A. Yes; certainly it would have. If it had bent fenders or poor tires, why, we would pay less than book for it.

Mr. Iversen: That is all. You may examine.

Cross-Examination

By Mr. Welch:

Q. Mr. Verhey, do you have a regular agreement or understanding with Mr. Evans to take any specified number of his cars? A. No, I don't.

Q. You stated that you bought perhaps a hundred during 1950 and 1951? [83] A. Yes.

Q. Has that continued at about that rate since that time?

A. Well, I think possibly I have bought more than that in the last couple of years.

Q. About how many cars would you sell in your used car business?

A. We average between sixty and seventy cars a month retail.

Q. That would be about seven hundred fifty cars a year that you sell? A. That is right.

Q. So you are getting some quantity of your inventory from Mr. Evans?

A. However, we buy in the East too, we buy different places and we buy right off the lot. We don't get our whole supply from Mr. Evans.

Q. Do you buy cars from other auto rental people?

A. I have purchased cars from the T. B. Corbett people, I think it is called Northwest Rent-A-Car.

(Testimony of Bernard Verhey.)

He is located where Mr. Evans used to be. There is another firm out in Ballard that I buy some from. The manager of that is Hal Huskinson.

Q. So a considerable portion of the cars that you sell are obtained from out-to-lease and out-to-rental people?

A. Perhaps fifty per cent of them, I would say, yes.

Q. Is that commonly known that you are a dealer in cars [84] that have previously been rental cars? A. If they ask me I tell them.

Q. But you don't publicize that?

A. No, I don't.

Q. And there is no way that a purchaser can find that out without asking you?

A. We don't certainly, try to hide it from them that they are leased cars.

Q. In your dealings with Mr. Evans, you normally work with him personally, don't you?

A. I have until the last three or four years, then I have dealt with a man by the name of E. E. Richert.

Mr. Welch: I have no further questions of this witness.

Mr. Iversen: That is all I have.

May this witness be excused?

Mr. Welch: Yes.

(Witness excused.)

Mr. Iversen: That concludes this issue and I will recall Mr. Evans.

Whereupon,

ROBLEY H. EVANS

recalled as a witness for and on behalf of the Petitioner, having been previously sworn, was examined and testified further as follows: [85]

Direct Examination

By Mr. Iversen:

Q. For the purpose of the record, you are the same Mr. Evans that has been on the stand before?

A. Yes, sir.

Q. Now, during 1950 and '51, to whom did you lease your cars?

A. Evans-U-Drive, Incorporated.

Q. And those were all the cars that you had out on a lease? A. Yes, sir.

Q. Are you familiar with the business of Evans-U-Drive during those years?

A. I was, I was the manager for them.

Q. What did Evans-U-Drive do with their cars?

A. We leased the cars to long-term lessors and we rented them to the transit customers on short-term rentals.

Q. Will you describe a typical leasing and a typical rental arrangement?

A. A leasing agreement is one wherein an automobile is leased to a, or automobiles are leased to a corporation or a company and sometimes individuals, for a period of time, usually from 18 to 36 months. The Evans-U-Drive furnished the car and

(Testimony of Robley H. Evans.)

maintained it but did not supply the gasoline or oil or insurance on that vehicle. [86]

On the transit rental operation, that is simply a transaction where a car is rented for an hour or two or possibly a week and that car was returned and there was a rate charged for that time and mileage, for that service.

Q. When you have the car on a leasing arrangement as you have described, at the termination of that lease, what did you customarily do with the car? A. At the termination of the lease?

Q. Yes.

A. At the termination the car became surplus and we disposed of it.

Q. Did you put it back into your rental fleet?

A. No.

The Court: You couldn't re-lease it?

The Witness: Not likely. The car was two or three years old at the time, it was more desirable to give the customer a new car if he renewed his lease, or if a new customer, give him a new car.

Q. (By Mr. Iversen): During that period what would be the occasion for you to buy new cars? What would cause you to buy new cars?

A. There again there are two separate factors, two separate requirements. In the lease phase of the business the cars would be purchased to supply a new lease customer with vehicles or on the renewal of the lease customers we would supply them [87] with new vehicles at the termination of the lease period. In the transit phase of the business it was

(Testimony of Robley H. Evans.)

dictated by seasonal requirements. Our seasonal business was very abrupt. We perhaps did two and a half times as much business in August as we would in the month of February, for instance.

The Court: Let me interrupt a minute.

On this leasing business, how did you make money? You buy a car, a new car, and lease it for a couple of years and at the end of that period it is not worth a re-lease, you say, because you have to furnish another new car. Do you make your money off the lease or the rentals or do you figure in what you are going to get for that car, the salvage value?

The Witness: We get our money off the lease. The lease rate had to stand on its own feet. We could not depend upon the sale of the vehicle. First of all, we had no way of looking forward a period of 18, 24, or 36 months to determine what that car may be worth, so the lease rate had to be self-sufficient and support the use of the vehicle.

The Court: How about the person who rents a car from you, wouldn't it be cheaper for him to buy a car and use his own?

The Witness: Not necessarily, because we enjoy, as a rule, better buying privileges. We get in with the automobile and together with all the supplies and repairs that go into that car, we could usually do it cheaper than the lease customer [88] could do it.

The Court: I am ignorant of this sort of thing.

The Witness: We have rented cars or leased

(Testimony of Robley H. Evans.)
cars to B. F. Goodrich Company. I think we started in about 1946, and certainly there is a company that is large enough to maintain their own fleets and have accounting departments to determine if it is economical enough.

Q. (By Mr. Iversen): What sort of things caused you to dispose of cars?

A. The creation of a surplus by reason of our seasonal decline in the transit business and the return of the leased automobile.

Q. What effect would such things as the condition of the cars have on your disposition of the cars?

A. I don't understand the question there.

Q. The state of repair, the economic cost and so forth of the cars, does that have any bearing?

A. As to the disposal?

Q. Yes, as to repair cost and that sort of thing.

A. I said earlier we would usually select, we would have a surplus of cars and we would select those cars that needed repairs or had been damaged or had bad upholstery or otherwise not desirable as rental vehicles and dispose of those first.

Q. What effect does the salvagability of cars, if any, have upon your policies in regard to your determination to dispose of cars? [89]

A. That is always a factor whether or not cars are available. Particularly in '50, '51 and prior years there were strike conditions and manufacturing conditions such that the manufacturers could not guaran-

(Testimony of Robley H. Evans.)

tee a delivery date to us, we could not sell ours as shortly, it was a factor in our disposal.

Q. What sort of records did you keep in 1950 and '51 on your cars?

A. There was a car inventory sheet and each vehicle was set up on its own basis, giving the make, serial, motor number, the type of vehicle, from whom it was purchased, the date and that same record sheet contained its cost and rate of depreciation.

Mr. Iversen: Would you mark this, please?

The Clerk: Petitioner's Exhibit No. 12 marked for identification.

(Petitioner's Exhibit No. 12 was marked for identification.)

Q. (By Mr. Iversen): I hand you what has been marked Petitioner's Exhibit 12 for identification and ask you to state what that is.

A. This is a typical car equipment record that we keep on the automobiles.

Q. What is the nature of the information that it shows?

A. It contains the year, make, body style, motor number, serial number, date of purchase, date of disposal and rate of [90] depreciation.

Q. Is that kept as to particular cars or the fleet in general?

A. Each one of these are kept for each automobile.

Mr. Iversen: I offer Petitioner's Exhibit No. 12 as a typical record.

(Testimony of Robley H. Evans.)

Mr. Welch: Mr. Evans, does this Petitioner's Exhibit 12 for identification show the actual sales price of the car?

The Court: You mean the sales price after it has been sold by Mr. Evans?

Mr. Welch: Yes.

The Witness: This record washes out this sheet. The actual sales price of the vehicle is recorded on our day ledger. This last item is a journal entry to wash out the vehicle from the total. At that time it was kept in another ledger but it is available.

Mr. Welch: This is the purchase price here?

The Witness: The total is here. That is the vehicle plus whatever equipment. In this case there was a radio installed.

Mr. Welch: And do you know, in the lower left-hand corner there is a series of figures by months?

The Witness: That is the depreciation by the month of that particular car based on a life of four years.

Mr. Welch: With no salvage value? [91]

The Witness: Yes, sir, that is right.

Mr. Welch: There will be no objection to this exhibit.

The Court: It will be admitted.

(Petitioner's Exhibit No. 12 was received in evidence.)

Q. (By Mr. Iversen): That figure of $45.00 per month that the cars are leased to Evans-U-Drive came about in what manner?

(Testimony of Robley H. Evans.)

A. That was based on a one forty-eighth of the cost of the vehicle. That is depreciating it on a 25 per cent basis plus the cost of the license, plus some profit.

Q. Did the state of competition in Seattle in 1950 and '51 have any bearing on your decision as to when you would sell cars?

A. It was a factor. We had to keep a reasonably modern fleet. If our competitors had had certain types or makes of vehicle we felt that we should follow along.

Q. What effect would such things as the development of new accessories such as automatic gear shifts and things of that kind have?

A. That would be the same thing. If we had standard shifts and our competitors had the automatic shifts, we would feel to maintain our customers we would have to supply the same type of automobile.

Q. About 1950 and '51, did that have any bearing? [92]

A. Automatic shifts were just coming into general use.

Q. During 1950 and '51, could you have continued using these cars in your business for a longer time than you did?

A. From an economic and operation standpoint yes, we could, we have used them for longer periods before.

Q. How long have you used cars in your business?

(Testimony of Robley H. Evans.)

A. We have used cars as long as, in some cases, 72 months. That is unusually long, but we have done so.

Q. What is the longest period that you recollect?

A. I think 76 months is the longest we have ever used an automobile.

Q. In each of the taxable years '46 through '53, what was the longest period you held cars?

A. I will have to quote from this memorandum from our official record: in '46, 27 months; '47, 76 months; '48, 24 months; 1949, 32 months; 1950, 36 months; 1951, 24 months; 1952, 32 months; and 1953, 46 months.

Q. From your experience can you say about how long a time a car used in commercial business might continue to be useable as an automobile with reasonable economic usefulness?

A. That is a very broad question and one I think that one could get in trouble with, a little bit perhaps, but I am sure it is my experience that an automobile in commercial usage is certainly good for about four years.

Q. Now, you have indicated some cars go beyond that? [93]

A. It is entirely possible. If we are talking about an average from my personal experience, it would set it at four years. There may be types of work they could be used longer in or less.

Q. From your experience is it possible to determine at the time you purchase a car what the sale price is going to be on it when you sell it?

A. I think that is utterly impossible for many

(Testimony of Robley H. Evans.)

reasons. First, I do not know when I am going to be able to sell that automobile; second, technical advances are made in the building of automobiles from the time you buy one to the time you get ready to sell it or dispose of it that will affect the value. There are other factors almost too numerable to mention, the Korean War was one. In 1950, the price of used cars went up abnormally because of the war, everybody was anticipating shortage. No one knew when the war was going to end and rationing was anticipated, which ballooned the values of used cars beyond their normal value, I think. Those are a few of the factors. I don't know how many you want, but there are so many variables I don't see how anyone could foresee the sales price of a car in 12 or 18 or even 6 months ahead.

Q. Now, you have referred to factors that might vary the holding time of the cars. Are there other factors beyond such things as the Korean War or contingencies of that time that would vary the holding time? [94]

A. In the lease business it depends upon the duration of the lease. Naturally, we have to retain the car that is leased for the period that it is contracted for. There are also some questions of supply that is ever present. I think that is all I can think of at the moment.

Mr. Iversen: Mr. Clerk, I am looking for that bunch of tax returns.

Q. (By Mr. Iversen): Mr. Evans, I have here various tax returns covering the years 1946 through

(Testimony of Robley H. Evans.)

1954, inclusive. Can you state from examination of these tax returns or from your knowledge of what is in them, the basis upon which you took depreciation for those cars over the period covered by those returns?

A. We have always used the depreciation rate of 25 per cent a year, even for these taxable years here, and as far back as 1936, the rate has always been 25 per cent.

Q. What about the year 1947?

A. We used the same rate of depreciation; 25 per cent a year.

Q. Was there an adjustment for the year 1947?

A. An adjustment? I don't believe I understand that question.

Q. After you had made your return for the year 1947, was the return questioned by the Bureau of Internal Revenue? A. Yes, it was. [95]

Q. And was there an adjustment made as a result of the questions raised by the Bureau of Internal Revenue?

Mr. Welch: Objection, your Honor. That is a matter which involves the taxable year not before the court and counsel refers merely to an adjustment by the Bureau of Internal Revenue, not a matter which was adjusted in court or by an agreement. It is not competent, it isn't proper evidence in this proceeding.

Mr. Iversen: If the Court please, I think we have a right to put this in because we are trying to establish a reasonable method of depreciation, an

(Testimony of Robley H. Evans.)

interpretation by the Department themselves of their own regulations consistent with the Department's own policies as to the meaning of the terms "depreciation" and "useful life," and I think we have a right to establish the view that the Department themselves officially took as to the meaning of those terms and the manner of their application to this taxpayer's business at a time prior to his making the returns for the questioned years.

We propose to show that the Department concurred in the determination or in the depreciation taken by the taxpayer on a four-year basis during 1947, just before he made out his returns for these years, that he made his return upon the basis of an approved method.

The Court: When you say the Department concurred, do you have a ruling of a [96] Commissioner?

Mr. Iversen: We have not a ruling of the Commissioner, but we have an adjustment letter from the Internal Revenue Agent in charge.

Now, the taxpayer, of course, has to make, he is a self-assessment business, he is supposed to make his return available, too, without hindsight. We are taking terms that are not defined by statute or regulation, depreciation and useful life, and the taxpayer is now following the approved method. It has been agreed upon by the representatives of the Commissioner in making the returns of these years.

The Court: Maybe he is getting an advantage that he wasn't entitled to.

(Testimony of Robley H. Evans.)

Mr. Iversen: I think we have a right to show the administrative interpretation of these terms and the meaning that is given to these terms "useful life" and "depreciation."

The Court: Do these depreciation adjustments apply to the same cars that are in issue here?

Mr. Iversen: The same kind.

The Court: Not the same ones?

Mr. Iversen: Not the identical vehicles, but the cars used in the same manner, sold in the same manner and the same business. Our issue here is whether or not the taxpayer is permitted to take depreciation on a 25-per cent basis, and we propose to show that the interpretation of the taxpayer and that of the representatives of the Commissioner concurred [97] at that time in the depreciation method that was established.

The Court: This witness himself has testified that there are a lot of mechanical changes in cars from year to year and there may be lots of things in these cars that are under consideration here that weren't included or built into the cars at that time. This is '47 you are talking about?

Mr. Iversen: '47; we are talking about a matter of principle, a method of taking depreciation. We propose to show that the government approved the method of taking depreciation.

The Court: Do you have anything further to say, Mr. Welch?

Mr. Welch: Only this, your Honor, that the de-

(Testimony of Robley H. Evans.)

ficiency notice before the Court, speaks for itself and the year 1947 is beyond reach, you might say, of the Respondent, by deficiency notice or otherwise. And the matter that he refers to is merely an action by the Internal Revenue Agent in charge and has no official, doesn't constitute an official action as far as being binding on the Commissioner for future years.

Mr. Iversen: We have a further point. The Revenue Rulings 90 and 91, 1953, provide that a depreciation method established will not be disturbed in the absence of a change in method or change in circumstances. This is important in the application of those revenue rulings, shows we have an established method of showing depreciation. [98]

The Court: Objection is overruled.

Q. (By Mr. Iversen): Mr. Evans, what, if any, question was raised with respect to your 1947 income tax return, particularly relating to depreciation, by the Bureau of Internal Revenue?

A. The Bureau questioned the depreciation and the absence of the salvage value in 1947 returns.

Q. What did the government contend at that time?

A. They said there should be a five hundred dollar per car salvage on each vehicle.

Q. Did you protest that? A. Yes, sir.

Q. What happened as a result of that protest?

A. As a result of the protest, the government approved of the depreciation rate of 25 per cent per year and established a salvage value of one hundred fifty dollars per car which I accepted

(Testimony of Robley H. Evans.)

because there were other items involved, and we came to that agreement.

Q. To what stage or what level was this matter considered? With whom was the matter considered, so far as the federal government?

A. It was discussed with the Conferee, Mr. Diamant.

The Clerk: Petitioner's Exhibit No. 13 marked for identification.

(Petitioner's Exhibit No. 13 was [99] marked for identification.)

Q. (By Mr. Iversen): I hand you what has been marked Petitioner's Exhibit No. 13 for identification and ask you to state what that is.

A. This is a letter from the Treasury Department to me approving of the settlement on the basis I gave you, 25 per cent depreciation and a hundred fifty dollar salvage basis.

The Court: Is that the basis upon which you claim 25 per cent a year under the years here? How about the salvage value? I understood you didn't admit any salvage value.

The Witness: In the year '50 and '51, I did not use salvage value, because I did not concur with the government findings relative to salvage value.

The Court: I think I am going to rule this out, because you can't come in and try to bind the Commissioner on something that has been done when you haven't complied to what he did.

Mr. Iversen: The government did approve a four-year depreciation basis. The taxpayer did not

(Testimony of Robley H. Evans.)

concur in the salvage value, but insofar as it was a four-year depreciation basis, that is entirely different from the present contention of the government that there is only an eighteen-month depreciation basis. It goes to the fundamentals of the case, the fundamental differences as of 1947, they were depreciating on the basis of the useful life of the article itself, now they are [100] depreciating on the basis of the time that the taxpayer holds the article. That is the difference. In one case it is the article and in the other case it is the business of the taxpayer.

The Court: I think they are both sufficiently different so we have a new proposition here and I don't see what the Commissioner did back in 1947, in which the taxpayer himself has not acquiesed. I don't think it is relevant. You haven't offered it yet.

Mr. Iversen: I am going to offer it and I offer it knowing that it shows an approval of a useful life based upon the life of the asset itself over a four-year basis as distinguished from the holding time of the taxpayer.

The Court: I will make my own ruling without any objection. I will say that it is irrelevant and rule it out.

Mr. Iversen: I would like to make an offer of proof that this document, if admitted, will show that the Conferee approved a depreciation of the cars over a period of four years with a salvage value of which, in effect, raises only an issue between the taxpayer and the government of the question of the length of its useful life, and that this depreciation

(Testimony of Robley H. Evans.)

basis that was set by this letter was a fundamentally different procedure of applying depreciation.

The Court: What you are saying now is argumentative, Mr. Iversen. [101]

Mr. Iversen: I offer this document which will show a depreciation based upon the useful life of the article as distinguished from the holding period of the article by the taxpayer.

The Court: But it does show also that there was a salvage value fixed.

Mr. Iversen: I think it should be before the Court.

The Court: You made your offer, it is there.

Mr. Iversen: Does your Honor keep rejected documents?

The Court: I think it should be in the record as offered and rejected but with an offer of proof.

(Petitioner's Exhibit No. 13 was rejected.)

Mr. Iversen: You may examine.

Cross-Examination

By Mr. Welch:

Q. Mr. Evans, I want to first ask you about the repairs that you make on these cars. Do you run a complete repair shop in connection with your business to maintain them?

A. A mechanical shop but not a body shop.

Q. If you had a transmission problem or something of the sort, would you sell the car or would you——

(Testimony of Robley H. Evans.)

A. (Interrupting): We would repair the transmission.

Q. Do you normally overhaul your motors or do the cars [102] reach that age?

A. Oh, we only overhaul motors when they become damaged in some manner, by lack of oil or water.

Q. Mr. Verhey, who is here from Everett, testified that many of the cars that he obtained from you had eight to ten thousand miles on them. Would those be cars that were rented on a day-to-day basis that had that mileage?

A. First, I might say, he might have been a little off on the mileage, but those were rented on a day-to-day basis, yes.

Q. What portion of the cars did you have on a day-to-day basis as compared to those on leases?

A. Oh, I think I would say that in those years we had about 30 or 40 per cent on lease and the balance on transit rental.

Q. Now, the transit rental type are turned over more quickly, are they not?

A. That is correct, yes, sir.

Q. Would you estimate that during 1950 and '51 they lasted from 12 to 15 months or thereabouts and were then ready for replacement?

A. I think 15 to 16 months would be perhaps nearer the case, without any reference to records.

Q. And the customer demand dictated that to some extent? A. Yes. [103]

(Testimony of Robley H. Evans.)

Q. The renting public on a day-to-day basis wants something current with low mileage?

A. Current, if they can get it.

Q. For the day-to-day rental type of car, the car would have a reasonably short life in your business?

A. I would say 14, 16 months.

Q. Maybe it isn't worn out at that time, but so far as your business is concerned that car is ready to be put in the used car lot?

A. The economical life of the car has not been consumed, but certainly its attractiveness to the customer has been limited after it is 16 months old or so.

Q. On these cars that are under lease, you mentioned B. F. Goodrich Company, how long would you lease a car, for what length of time would a lease to them run on a car?

A. Eighteen months in some instances and twenty-four months in other instances.

Q. And the other leases would average that length of time?

A. From eighteen to thirty-six months, yes.

Q. You stated on your direct examination a maximum period for each of the years mentioned from 1946 through 1954. Now, those were maximums, were they not?

A. They were; that is what I was asked.

Q. That is well above the average time that the cars [104] were used in your business?

A. That is correct, yes.

Q. As a practical matter, at what point, mile-

(Testimony of Robley H. Evans.)

agewise, would you say your cars reach an uneconomical stage of repair, you might say? If you had a car 12, 15 months and it has twelve or fifteen thousand miles on it, is that car—assuming it looked like a current model—is that car in such shape that you retain it? A. It could be.

Q. But these cars do reach a point where the repairs make them rather uneconomical to keep, that is, if you have to keep them in the shop half of the time?

A. There is a point beyond which it is not economical to run an automobile.

Q. So when you reach a point of fifteen to twenty thousand miles with the kind of driving that these cars might get, just depending on customer carelessness and this and that and the other, you reached a point where you have to make a sort of decision?

A. Not as far as the economic use of that vehicle is concerned, only insofar as the style and modernness is concerned, because we can run cars longer than eighteen or twenty thousand miles.

The Court: Time is probably more important than mileage in your business. [105]

The Witness: That is correct, sir.

Q. (By Mr. Welch): Do you often replace tires on a car? A. Quite frequently, yes.

Q. What about batteries?

A. They are very seldom changed.

The Court: What kind do you use?

The Witness: Batteries are good for about two years with us.

(Testimony of Robley H. Evans.)

The Court: I am sorry to interrupt.

Q. (By Mr. Welch): I want to go back again to this one point. This seasonal decline in rental cars, that comes up at about Labor Day, you say?

A. Roughly after Labor Day, in the month of September.

Q. That wouldn't have any effect on your leased cars? A. No, sir.

Q. The current models come out later in the year, that is, in such quantity as you are able to get them?

A. In the years of '50 and '51, they did not introduce the current model cars until January of that year. Now they are introduced in October, but then they were introduced in January.

Mr. Welch: I have no further questions.

Redirect Examination [106]

By Mr. Iversen:

Q. Counsel asked you about repair facilities, are those conducted by you or the corporation?

A. They are conducted by the corporation.

Q. The question was asked as to whether rental cars last as long as other cars. I think your answer was not clear. Could you answer that question again?

A. What was the question?

Q. I believe you were asked by counsel whether the cars on rental last as long as the leased cars. What would you say with respect to that?

A. We did not keep them as long as the leased

(Testimony of Robley H. Evans.)

cars. The transit rental cars were not retained as long as the leased cars by reason of the fashion or mode, whatever you want to call it, but as far as lasting as long, they would have lasted as long if we had not the competitive model change factors.

Mr. Iversen: That is all.

The Court: The witness may be excused.

(Witness excused.)

Mr. Iversen: Mr. Johnson, will you take the stand, please?

Whereupon,

PAUL F. JOHNSON

called as a witness for and on behalf of the Petitioner, having been first duly sworn, was examined and testified as follows: [107]

The Clerk: State your name, please.

The Witness: Paul F. Johnson.

Direct Examination

By Mr. Iversen:

Q. What is your business, Mr. Johnson?

A. I am a certified public accountant and I am in the firm of Ernst and Ernst.

Q. How long have you been in that business?

A. I have been with the firm of Ernst and Ernst since July of 1930.

Q. Have you been in the accounting business longer than that?

(Testimony of Paul F. Johnson.)

A. No, sir, I started there a month after I graduated from college.

Q. What is your education?

A. I graduated from the University of Illinois in 1930, with a major in accounting.

Q. Are you licensed as a C.P.A. in the State of Illinois? A. Yes, sir.

Q. Will you give us a brief description of your accounting experience?

A. I joined our firm in July of 1930 as a junior accountant working on the audit staff. I progressed to senior accountant and then to assistant manager. I gradually moved into tax work and I have been primarily in tax work since 1942. [108]

Q. Are you authorized to represent taxpayers before the Internal Revenue Department?

A. Yes, sir.

Q. Have you had any experience representing taxpayers before the Internal Revenue Department in depreciation matters prior to 1954?

A. Yes, sir, I have.

Q. What is your understanding from a general accounting point of view of the meaning of the term "useful life"?

A. As I have seen useful life applied in the setting of depreciation rates, the term means to me the economic or the physical life of a particular asset.

Q. Now, the Internal Revenue Code of 1939 provided for depreciation in terms of a reasonable allowance for exhaustion and wear and tear and a

(Testimony of Paul F. Johnson.)

reasonable allowance for obsolesence of property subject to depreciation. Now, in your experience in dealing with the representatives of the Internal Revenue Service and applying this specific provision of the statute, has any meaning been attached for federal income tax purposes different from the accepted accounting meaning of the term "useful life"?

A. No; I think they have been the same.

Q. From the general accounting point of view, what is the meaning of the term "salvage value"?

A. Well, I think in defining salvage value, you have to [109] get back first and link it to useful life. With the definition I gave of useful life, of the physical or economic life of the particular asset, then I think you come to the point of the salvage value being the junk or scrap value of the asset; and that is, normally, of course, negligible in the overall evaluation.

Q. In the present case I call your attention to the fact that the Internal Revenue Service is contending that the use of an automobile for federal income tax purposes, for depreciation purposes, during 1950 and '51, is equal to the actual period during which the taxpayer held his automobile, that is, an average of 17 months. And I call your attention also to the fact that the Internal Revenue Service has also taken the position that salage value of the taxpayer's automobiles during these years is equivalent to his average sales proceeds. Do you consider this to be a change from the practice of the Internal

(Testimony of Paul F. Johnson.)

Revenue Service during the period 1950, '51 and years prior thereto?

A. Yes, it——

Mr. Welch (Interrupting): I object, your Honor. I move that the answer be stricken. I think the question is designed, first, to have this witness take over the function of the Court.

The Court: That is what all experts do, isn't it?

Mr. Welch: He is asked to state an opinion as to [110] Internal Revenue practice. Now, what Internal Revenue practices, perhaps you will find it here and there in regulations and rulings, but it certainly isn't controlling here.

The Court: I know that, but I am going to let it in with the same idea that I know it is not controlling. I am not going to let it control me.

Mr. Iversen: You may examine.

Cross-Examination

By Mr. Welch:

Q. Mr. Johnson, would you include within your definition of "useful life," when you describe it as the economic or physical life of the property, would you include it to mean the economic or physical life in the taxpayer's business?

A. Well, perhaps I can understand your question. Let me try to answer it.

Q. I think that it is merely a question asking you to accept or reject a definition. Does the qualification, "life in the taxpayer's business" have any-

(Testimony of Paul F. Johnson.)

thing to do with the definition or is the life that anyone might have to do with it?

A. I think that the physical or economic life of the asset is the period for which it will be useful to someone. It is quite possible that a specific taxpayer may subject an asset to more strenuous use which would make the physical life in his business possibly shorter than it would be in someone else's business. [111]

Q. You don't put any weight on that in defining the useful life of an asset, you don't give any weight to the particular way it is employed or the business in which it is employed?

A. If I said that, I didn't intend to convey that, sir. My feeling is that useful life means the period for which it will be useful to someone and if the particular taxpayer subjects it to strenuous use it will be shorter than it would be in the hands of someone who subjects it to less strenuous use.

Q. You defined salvage value as the junk value and you defined it as being something negligible?

A. Yes, sir.

Q. You are not willing to extend the definition to include the value at which the property can reasonably be disposed of when it ceases to be useful to the taxpayer?

A. That has not been the practice that I have seen, sir. In other words, the salvage value in my understanding is what it is worth after the useful life has been exhausted as far as everybody is concerned.

Mr. Welch: No further questions of this witness.

The Court: The witness may be excused.

(Witness excused.)

Mr. Iversen: Mr. Hoffman, would you take the stand, please?

Whereupon,

RAYMOND A. HOFFMAN

called as a witness for and on behalf of the Petitioner, having been first duly sworn, was examined and testified as follows:

The Clerk: State your name, please.

The Witness: Raymond A. Hoffman.

Direct Examination

By Mr. Iversen:

Q. What is your business, Mr. Hoffman?

A. I am a certified public accountant.

Q. What connections, if any, do you have?

A. I am a partner in the firm of Price-Waterhouse and Company.

Q. Where did you receive your accounting education?

A. I was graduated from the University of Illinois and received a Bachelor of Science from the College of Commerce, and also have a Master.

Q. What states do you have a license of C.P.A.?

A. Illinois and quite a number of others.

Q. Will you give a brief description of your accounting experience?

(Testimony of Raymond A. Hoffman.)

A. I have been in public accounting since 1934, and for the approximately last twenty years my activities have been devoted primarily to federal income tax work.

Q. Are you authorized to represent taxpayers before the Internal Revenue Service?

A. Yes, sir. [113]

Q. Have you experience representing taxpayers before the Internal Revenue Service in depreciation matters prior to 1954? A. Yes, sir.

Q. What is your understanding from a general accounting point of view of the meaning of the term "useful life"?

A. The term "useful life" as it has been used in general accounting for the purpose of determining depreciation rates is used to denote the physical life or economical life for the purpose for which a particular asset was intended by the manufacturer.

Q. Now, in your experience with dealing with representatives of the Internal Revenue Service and applying the provisions of the Internal Revenue Act of 1939 with respect to exhaustion, wear and tear, including a reasonable allowance for obsolesence subject to depreciation, has any other meaning been attached to the term "useful life"?

A. No, sir, the same meaning has been attached to that phrase.

Q. From the general accounting point of view, what is the meaning of the term "salvage value"?

A. That is generally looked upon as synonymous with junk value, at the end of its useful life.

(Testimony of Raymond A. Hoffman.)

Q. In this case the Internal Revenue Service is contending that useful life for automobiles in 1950 and '51 is equal to actual period during which the taxpayer held the automobiles, [114] an average of 17 months ~~and the Internal Revenue Service has~~ taken the position that the salvage value during this period is equivalent to the average proceeds. Do you consider this to be a change of practice from the years prior to the years 1950, '51?

A. It is, from the general interpretation of the terms that have been used for federal income tax purposes.

Cross-Examination

By Mr. Welch:

Q. Mr. Hoffman, in defining salvage value, is it possible to look upon an asset having served its usefull life in a particular business and having either reached the point of salvage value or something else that would be obsolesence or the fact that the thing is completely outdated and has to be taken out of that particular business, would you consider that the term salvage value would embrace an asset that might become obsolete before it wears out?

A. No. Normally the phrase salvage value you would not apply to the resale value of an item as it might be purchased to be used by somebody else before the expiration of its useful life.

Q. It is possible, isn't it, then, to have a useful life in a business which is shorter than the—I am

(Testimony of Raymond A. Hoffman.)

speaking now of in a business in which it is much shorter than the actual length of time it would take to wear that asset out, whether it be a [115] watch or an automobile or anything else, a particular business may expect to find that the property becomes obsolete before it is worn out, then, wouldn't you define useful life as being the actual anticipated life of that asset in that business?

A. No. You are bringing in the subject of obsolesence which would make it no longer economically useful in something other than it was intended. If you are talking about the useful life with respect to a particular taxpayer, then, you are using the expression in a different sense than it has been commonly used for depreciation purposes, and that was the point I was trying to make.

Q. The Commissioner's regulation uses the expression "useful life in the taxpayer's business," do they not?

A. I have no recollection of that exact phraseology in the regulation, no, sir.

Q. You wouldn't know whether that phraseology would be contained in Bulletin F?

A. No, I would not be able to say whether or not it is actually there as such. I don't believe you will find that term defined in the bulletin. I can't speak to that. The phrase may be used, but I don't think you will find that phrase defined in Bulletin F.

Mr. Welch: I have no further questions.

The Court: The witness may be excused.

(Witness excused.) [116]

Mr. Iversen: We rest.

Mr. Welch: Respondent rests, your Honor.

The Court: How much of this case do you want me to decide right now?

Mr. Iversen: We assume that your Honor will want briefs.

The Court: Well, I think I can dispense with briefs on the first point, that is, whether or not this taxpayer was in the business of selling real estate or was holding this land for sale in the ordinary course of his business. I don't think the Respondent will have to brief that. I will decide that point in the favor of the taxpayer.

The other questions are more difficult and I would like them briefed and I would like proposed statements of findings of fact.

Will forty-five days be enough or do you want sixty days, Mr. Welch?

Mr. Welch: I would rather have sixty days.

The Court: I think simultaneous briefs in this type of case. You won't have to brief that first portion. I will expect the Petitioner to supply me with adequate findings of fact.

Mr. Iversen: That will come in at the time of the final decision or will your Honor wish the findings on that portion of it now? [117]

The Court: It will come right in with the regular briefs.

Mr. Welch: A Rule 50 will be necessary for that first one.

The Court: I just want to save you the time for briefing that part of it. Of course, you will have to brief the residence portion. I am not deciding that, as to how much to be allowed on that residential conversion or whatever you call it.

Mr. Iversen: Briefs will be simultaneous briefs and they will be due sixty days from today?

The Court: That is correct, and twenty days to reply if you want to file reply briefs.

The Clerk: Those dates, gentlemen, April 8, and the reply brief is April 29.

The Court: We will recess.

(Thereupon, at 3:30 o'clock p.m., Tuesday, February 5, 1957, the hearing was closed.)

Filed: February 26, 1957, T.C.U.S. [118]

[Title of Tax Court and Cause.]

PETITION FOR REVIEW OF DECISION OF TAX COURT

Taxpayers Robert H. Evans and Julia M. Evans, the petitioners in this cause, by their attorneys, Roswell Magill, Lyle L. Iversen and Donald J. Yellon, hereby file their petition for a review by the United States Court of Appeals for the Ninth Circuit of the decision entered by the Tax Court of the United States on February 7, 1958, determining a deficiency

in petitioners' federal income taxes for the calendar years 1950 and 1951 in the respective amounts of $13,191.52 and $13,048.12 and respectfully show:

I.

The petitioners are husband and wife. During the taxable years here involvel, they resided at Bellevue, in the County of King, State of Washington, and filed their income tax returns for each of the years here involved with the Collector of Internal Revenue for the District of Washington.

The place where the petitioners resided at the time of the filing of the aforementioned returns, and the place where the office of said Collector (now Director) of Internal Revenue is located, are within the jurisdiction of the United States Court of Appeals for the Ninth Circuit, and said Court has jurisdiction of a review of the decision of the Tax Court herein under the provisions of Section 7482 of the Internal Revenue Code of 1954.

The decision of the Tax Court herein was rendered on February 7, 1958. The time for filing a Petition for Review will expire on May 6, 1958, under Sections 7459(c) and 7483 of the Internal Revenue Code of 1954.

II.

Nature of the Controversy

The controversy involves the proper determination of the petitioners' federal income taxes for the calendar years 1950 and 1951.

At issue is the correct method of computing deductible depreciation, under Section 23(1) of the Internal Revenue Code of 1939, on automobiles used by Robley H. Evans (hereinafter, the word "petitioner" refers to Robley H. Evans) in his business of leasing and renting automobiles. The amount in controversy involves a deficiency of $23,139.12 out of a total deficiency of $26,239.64. The petitioners do not contest the remaining deficiency of $3,100.52, which is not based upon the controversy concerning deductible depreciation.

The petitioner, in accordance with the established meanings of "useful life" and "salvage value," computed depreciation on his automobiles on the straight-line method, employing a useful life of 4 years, without residual or salvage value and without regard to the length of the period he himself continued to own such automobiles. The petitioner applied the term "useful life" of property, for depreciation purposes, as meaning the physical or inherent functional life of that property. He applied the term "salvage value" of property, for depreciation purposes, as meaning the residual, junk or scrap value of property left after the end of its "useful life," as above defined.

The respondent claimed, and it was the decision of the Tax Court herein, that depreciation on petitioner's automobiles should be computed on the basis of a useful life determined by the period during which the petitioner held particular automobiles as income-producing property in his business, and

that salvage value should be fixed at the amount realized from the disposition of particular automobiles after such holding period. The Tax Court decided that the automobiles leased for relatively extended periods had a useful life of 3 years and a salvage value of $600, that the automobiles rented for shorter periods had a useful life of 15 months and a salvage value of $1,375, and that, if any automobile of either class had an "undepreciated cost," on January 1, 1950, less than $600 or $1,375, respectively, then such lesser amount was to be taken as the salvage value of such automobile.

III.

The petitioners, being aggrieved by the Findings of Fact and conclusions of law contained in the finding and opinion of the Tax Court and by its decision entered pursuant thereto, desire to obtain a review thereof by the United States Court of Appeals for the Ninth Circuit.

Wherefore, the petitioners pray that a review be had of the decision of the Tax Court rendered in the above-entitled cause and that upon such review said decision be reversed.

Respectfully submitted,

/s/ ROSWELL MAGILL,

/s/ LYLE L. IVERSEN,

/s/ DONALD J. YELLON,

Counsel for Petitioners.

Received and Filed March 10, 1958, T.C.U.S.

[Title of Tax Court and Cause.]

STATEMENT OF POINTS

Now come petitioners Robley H. Evans and Julia M. Evans, husband and wife (Robley H. Evans being herein sometimes called the "petitioner",) by their attorneys, Roswell Magill, Lyle L. Iversen and Donald J. Yellon, and hereby make this statement of points on which they intend to rely on the review herein:

The Tax Court of the United States erred:

1. In deciding that automobiles leased by petitioner had a useful life, for depreciation purposes, based on the period during which such automobiles were held by petitioner as income-producing properties in his automobile leasing business, and in thereby deciding that:

(a) the useful life, for depreciation purposes, of automobiles leased for relatively extended periods was three years rather than four years, and

(b) the useful life, for depreciation purposes, of automobiles rented for short periods was fifteen months rather than four years.

2. In deciding that automobiles leased by petitioner had a salvage value, for depreciation purposes, based on the proceeds realized by petitioner when he dispensed with such automobiles as income-

producing property in his automobile leasing business and in thereby deciding that:

(a) the salvage value of the automobiles leased for relatively extended periods was $600 rather than junk or scrap value,

(b) the salvage value of automobiles rented for short periods was $1,375 rather than junk or scrap value, and

(c) if, on January 1, 1950, any automobiles of either class had an "undepreciated cost" less in amount than $600 or $1,375, respectively, such lesser amount was the salvage value of such automobiles rather than junk or scrap value.

3. In holding that there are deficiencies in income tax for the calendar years 1950 and 1951 in the respective amounts of $13,191.52 and $13,048.12.

4. In that its opinion and decision are contrary to law and are not supported by substantial evidence.

/s/ ROSWELL MAGILL,

/s/ LYLE L. IVERSEN,

/s/ DONALD J. YELLON,
Counsel for Petitioners.

Received and Filed: March 10, 1958, T.C.U.S.

[Title of Tax Court and Cause.]

CERTIFICATE

I, Ralph A. Starnes, Chief Deputy Clerk of the Tax Court of the United States, do hereby certify that the foregoing documents, 1 to 11, inclusive, constitute and are all of the original papers on file in my office as called for by the "Designation of Contents of Record on Review" (but excluding the exhibits which are separately certified) on file in my office as the original and complete record in the case before the Tax Court of the United States docketed at the above number and in which the petitioners in the Tax Court have filed a petition for review as above numbered and entitled, together with a true copy of the docket entries in said Tax Court case, as the same appear in the official docket in my office.

In testimony whereof, I hereunto set my hand and affix the seal of the Tax Court of the United States, at Washington, in the District of Columbia, this 20th day of March, 1958.

/s/ RALPH A. STARNES,
Chief Deputy Clerk, Tax
Court of the United States.

[Endorsed]: No. 15985. United States Court of Appeals for the Ninth Circuit, Robley H. Evans and Julia M. Evans, Petitioners, vs. Commissioner of Internal Revenue, Respondent. Transcript of the Record. Petition to Review a Decision of the Tax Court of the United States.

Filed: April 7, 1958.

Docketed: April 17, 1958.

/s/ PAUL P. O'BRIEN,
Clerk of the United States Court of Appeals for the Ninth Circuit.

101 Minute entry of argument and submission—October 15, 1958 (omitted in printing).

102 In the United States Court of Appeals for the Ninth Circuit

Before POPE, HAMLEY and JERTBERG, *Circuit Judges*

Minute entry of order directing filing of opinion and filing and recording of judgment

January 26, 1959

Ordered that the typewritten opinion this day rendered by this Court in above cause be forthwith filed by the Clerk, and that a Judgment be filed and recorded in the minutes of the Court in accordance with the opinion rendered.

103 In United States Court of Appeals for the Ninth Circuit

No. 15985

ROBLEY H. EVANS AND JULIA M. EVANS, PETITIONERS

v.

COMMISSIONER OF INTERNAL REVENUE, RESPONDENT.

UPON PETITION TO REVIEW DECISION OF THE TAX COURT OF THE UNITED STATES

Opinion

Jan. 26, 1959

Before: POPE, HAMLEY and JERTBERG, Circuit Judges.

JERTBERG, Circuit Judge:

The main issue presented to this Court on the petition for review of the decision of the Tax Court of the United States centers on the rate of depreciation to which the taxpayers are entitled on automobiles used by them in their business of leasing automobiles to a corporation which was engaged in the business of leasing and renting automobiles to the public.

The Tax Court entered its decision finding deficiencies in income tax due from taxpayers for the years 1950 and 1951 in the respective amounts of $13,191.52 and $13,048.12.

There appears to be no dispute between the parties as to the character of the taxpayers' business or the manner in which it was conducted during the years in question.

During the years 1950 and 1951 Robley H. Evans and Julia M. Evans [1] were husband and wife. During these years Robley H. Evans (hereinafter designated as petitioner) was engaged in the business of leasing automobiles to Evans U-Drive,
104 Inc. (hereinafter called U-Drive) at a monthly rental of $45.00 per month per automobile. U-Drive was engaged in the business of leasing and renting automobiles to the public, which business was managed by the petitioner.

The lease agreement between petitioner and U-Drive provided that petitioner was obligated to furnish U-Drive with a sufficient number of automobiles to enable it to conduct and operate an automobile leasing and renting business in an efficient manner.

During the taxable years under review U-Drive engaged in two types of rental activities, which for convenience might be termed short term rentals and extended rentals. Short term rentals varied from a few hours to several weeks. Extended rentals varied from eighteen months to thirty-six months, and accounted for thirty to forty per cent of automobile rentals.

Under the lease agreement with U-Drive, petitioner retained title to the automobiles, and had the right to sell and dispose of any of them at any time.

Petitioner periodically owned more automobiles than were necessary for the efficient operation of short term rentals. When this situation arose he would examine the cars in use and sell the number which were not needed. The oldest and least desirable cars were sold first. When sold, such cars had been driven an average of 15,000 to 20,000 miles, and were generally in good mechanical condition. Many automobiles were sold at the end of the tourist season. When sold, each car had been in use about fifteen months. These cars could have been used longer than they were, but customers of U-Drive demanded late model cars that were currently in style.

Automobiles to be used for extended rentals were purchased by petitioner when needed and leased to others by U-Drive. At the termination or cancellation of such leases, the automobiles were returned to petitioner, who sold them. When sold,

[1] Julia M. Evans is a party solely because of the filing of joint returns for the taxable years involved.

such cars had been driven an average of 50,000 miles. They were generally in good physical condition and state of repair at the time of disposition, and petitioner could have continued to use them longer than he did.

Petitioner sold most of his surplus automobiles to used car dealers, jobbers, or brokers, and as a general rule the
105 automobiles when sold brought current wholesale prices.

Petitioner purchased new cars from local dealers, usually at factory prices.

Petitioners' tax returns for 1950 and 1951 revealed that he sold 140 and 147 automobiles respectively during those years. The average cost, sales price, depreciation claimed, and gain per car were approximately as follows:

Year	Cost	Sales price	Depreciation claimed	Gain
1950	$1,650	$1,380	515	245
1951	1,495	1,395	450	350

In such tax returns the amounts of depreciation taken were computed and deductions claimed on the basis that the automobiles had an estimated useful life of four years, with no salvage at the end of the four-year period.

The Tax Court determined:

1. That the automobiles which petitioner leased to U-Drive during the taxable years for use under extended rentals had a useful life of three years and a salvage value of $600.00;

2. That the automobiles which he leased to U-Drive for use under short term rentals had a useful life of fifteen months and a salvage value of $1,375.00;

3. If the undepreciated [adjusted] cost of the automobiles in service at January 1, 1950 is less than $600.00 and $1,375.00 for the respective classes of automobiles, then that amount will be the salvage value of those automobiles.

Computations based upon such decision resulted in the amounts of deficiency above mentioned for the years under review.

In the notice of deficiency directed to petitioner, the Commissioner stated that "It has been determined that *the average useful life of the automobiles used in your business* based on your actual experience was not in excess of seventeen months

and the average *salvage value* of said automobiles at the *end of their useful life in your business* was not less than $1,325.00 or the adjusted basis of said automobiles as of January 1, 1950, whichever amount was the lesser." [Emphasis added.]

The Tax Court found that "The surplus automobiles sold by Robley (Evans) could have been used longer than they were; however, customers demanded late model auto-
106 mobiles that were currently in style. Older automobiles did not have much value as rental vehicles. During the taxable years, Robley (Evans) sold the automobiles used by U-Drive in the short-term rental phase of its business after they had been used about 15 months. And he usually sold the automobiles which had been leased for extended terms as soon as the lease was terminated." The Tax Court further found that 30 to 40 per cent of the automobiles leased by petitioner to U-Drive were on the extended rental basis, which period was from 18 months to 36 months, and that as a general rule the automobiles were sold at current wholesale prices. In its opinion the Tax Court stated that petitioner had consistently claimed deductions for depreciation (apparently since 1936) on the basis that his automobiles had a useful life of four years, with no salvage value at the end of the four-year period.

It is the petitioner's position on this review that until the opinion of the Tax Court herein, judicial interpretation, administrative practice under the 1939 Code, and practice in the accounting profession generally, had long agreed that, for the purpose of the depreciation deduction, the term "useful life" means the physical, economic or functional life of the property subject to the depreciation allowance, and the term "salvage value"—the value remaining in depreciable property at the end of its physical, economic or functional life—means its residual or scrap value.

Analysis of the findings of fact, conclusions of law, and decision of the Tax Court unmistakably reflect that the Tax Court measured "useful life" by the holding period of the automobiles leased by petitioner to U-Drive and measured "salvage value" by the estimated proceeds which might be realized upon the disposition of such automobiles.

The Tax Court's opinion contains no discussion as to the legal signification of the terms "useful life" and "salvage value". The concepts of such terms and the contentions in relation thereto as advanced by the petitioner were not mentioned.

The question presented by this review is a narrow one, although not without its difficulties. In most instances, an asset used in the trade or business remains in the service of the taxpayer until its economic usefulness has been exhausted. Under such circumstances, no problem arises as to the useful life of the asset, and the value remaining in the asset at the end of such
107 useful life—its salvage value—is generally its scrap or junk value. The problem is acute with respect to taxpayers, the nature of whose business requires, for various reasons, a policy of disposing of depreciable assets while such assets still possess substantial value, and which property brings on disposal prices considerably in excess of the scrap or junk value. Such a business is the type in which petitioner engages.

It is our view that the issue presented by the conflicting concepts of "useful life" and "salvage value" involve principally taxpayers engaged in such type of business whose tax years under the Internal Revenue Code of 1939 are open for review and assessment by the Commissioner. This issue may also involve taxpayers engaged in such type of business whose tax years prior to the enactment of Section 167 of the Internal Revenue Code of 1954 and the issuance of Treasury Regulations T.D. 6182 are likewise open for review and assessment. See The Hertz Corporation, etc. vs. United States, U.S. District Court, District of Delaware, (1958), 58–2 U.S.T.C., Paragraph 9720.

In enacting section 167 of the Internal Revenue Code of 1954 (Title 26 U.S.C.A., section 167), Congress authorized several new methods for computing depreciation for taxable years ending after December 31, 1953. Section 167(b) states that a "reasonable allowance" as used in section 167(a) shall include an allowance computed in accordance with regulations prescribed by the Secretary, under any of the prescribed methods and rates. Sections 167(b) and 167(c) prescribe allowable methods and rates for computing depreciation, as well as certain limitations on the use of such methods. The allowable methods are the straight line method, the declining balance method, the sum of the years-digits method, and any other method productive of an annual allowance which does not exceed the allowance computed under the declining balance method. If an allowance is reasonable under section 167(a), it shall not be limited or reduced by any provision contained in section 167(b). Section 167(c) restricts the accelerated

method contained in section 167(b) to new construction and to new tangible property with a useful life of three years or more.

Regulations under the Internal Revenue Code of 1954 were issued June 7, 1956, T.D. 6182, 1956—1 Cum. Bul. The
108 depreciation provisions of these regulations relevant to
this discussion are set forth in section 1.167(a)-1. Section 1.167(a)-1-(a) states that the allowance [reasonable allowance under section 167(a) of the Code] is "that amount which should be set aside for the taxable year in accordance with a reasonably consistent plan [not necessarily at a uniform rate], so that the aggregate of the amounts set aside, plus the salvage value, will, at the end of the estimated useful life of the depreciable property, equal the cost or other basis of the property * * * An asset shall not be depreciated below a reasonable salvage value under any method of computing depreciation. * * * The allowance shall not reflect amounts representing a mere reduction in market value."

Section 1.167(a)-1-(b) states "For the purpose of section 167 the estimated useful life of an asset is not necessarily the useful life inherent in the asset but is the period over which the asset may reasonably be expected to be useful to the taxpayer in his trade or business or in the production of his income. * * *".

Section 1.167(a)-1-(c) states, "Salvage value is the amount (determined at the time of acquisition) which is estimated will be realizable upon sale or other disposition of an asset when it is no longer useful in the taxpayer's trade or business or in the production of his income and is to be retired from service by the taxpayer. * * * If the taxpayer's policy is to dispose of assets which are still in good operating condition, the salvage value may represent a relatively large proportion of the original basis of the asset. * * *"

Finally, for the guidance of taxpayers, there are now official definitions of the terms "useful life" and "salvage value", and definite rules for their application.

There can be no dispute over the fact that the Tax Court applied to the facts of this case definitions of "useful life" and "salvage value" which appeared for the first time in Regulations T.D. 6182, promulgated under the 1954 Code. The Commissioner does not seriously argue otherwise. His position appears to be that the concepts of "useful life" and "salvage value" embodied in the new regulations have been applied under all

Revenue Acts and regulations since 1918, including the Internal Revenue Code of 1939, and regulations issued thereunder.

The petitioner vigorously disputes such position.

109 We will now proceed to explore the validity of the petitioner's contention that until the opinion of the Tax Court herein, judicial interpretation, administrative practice under the 1939 Code, and practice in the accounting profession, had long agreed that, for the purpose of the depreciation deduction, the term "useful life" means the physical or economic life of the property subject to the depreciation allowance, and that the term "salvage value"—the value remaining in depreciable property at the end of its physical or economic life—means its residual or scrap value.

The basic statute on depreciation in the Internal Revenue Code of 1939 is section 23. This section in its relevant part provides: "Sec. 23. Deductions from gross income—In computing net income there shall be allowed as deductions * * * l. Depreciation—A reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence)—(1) of property used in the trade or business, or (2) * * *"

This basic provision relating to depreciation of property used in a trade or business has been a part of every Internal Revenue Act since 1918.[2] This same basic provision appears in the Internal Revenue Code of 1954.[3]

In none of the depreciation provisions contained in revenue acts from the Revenue Act of 1918 has Congress seen fit to define the term "reasonable" in providing for a "reasonable allowance" for exhaustion, wear and tear. This basic provision is so general as to render an interpretative regulation appropriate. Morrissey, et al., Trustee vs. Commissioner of Internal Revenue, 296 U.S. 344; Helvering, Commissioner of Internal Revenue vs. R. J. Reynolds Tobacco Co., 306 U.S. 110.

Treasury Regulations 111 (1942) were promulgated under the Internal Revenue Code of 1939, and are applicable to the years 1950 and 1951, which are the taxable years under review. The relevant portions of Regulations 111 are contained in section 29.23(1). Pertinent extracts from such section are: "* * * The proper allowance for such depreciation is that

[2] Sec. 234(a)-1 and Sec. 241(a)-8 of the Revenue Act of 1918, c. 18, 14 Stat. 1057.

[3] Sec. 167, Title 26 U.S.C.A.

amount which should be set aside for the taxable year in
110 accordance with a reasonably consistent plan (not necessarily at a uniform rate), whereby the aggregate of the amounts so set aside, plus the salvage value, will, at the end of the useful life of the depreciable property, equal the cost or other basis * * *" Section 29.23(1)-1.

"The capital sum to be replaced by depreciation allowances is the cost or other basis of the property in respect of which the allowance is made. * * *" Section 29.23(1)-4.

"The capital sum to be recovered shall be charged off over the useful life of the property, either in equal annual installments or in accordance with any other recognized trade practice, * * * The deduction for depreciation in respect of any depreciable property for any taxable year shall be limited to such ratable amount as may reasonably be considered necessary to recover during the remaining useful life of the property the unrecovered cost or other basis. * * *" Section 29.23(1)-5

The first appearance of the terms "useful life" and "salvage value" in Treasury Regulations was in Treasury Regulations 45, Article 161 (1919), effective for the calendar years 1918-19 and 1920. Article 161 provided in part, as follows: "The proper allowance for such depreciation of any property used in the trade or business is that amount which should be set aside for the taxable year in accordance with a consistent plan by which the aggregate of such amounts for the *useful life of the property in the business* will suffice, with the salvage value, at the end of such useful life to provide in place of the property its cost * * *" [Emphasis added.]

Article 165 of the same Regulations provided in part, as follows: "The capital sum to be replaced *should be charged off over the useful life of the property* * * *" [Emphasis added.]

Similar wording with changes not material to the problem before us appeared in subsequent Treasury Regulations through Regulations 103, Section 12.23(1)-1-5, effective for the tax years 1939-40 and 1941. The words "in the business" which appeared in Article 161 of Regulations 45 continued to appear in successive regulations until the issuance of Regulations 111 in 1942. No definition or further explanation of the terms "useful life" or "salvage value" appeared in any of the
111 regulations to which reference has been made until the issuance of Treasury Regulations T.D. 6182, promulgated under the 1954 Revenue Code. The terms "useful life"

and "salvage value" are not defined or explained in Regulations 111. The language of the Regulations does not limit "useful life" to the useful life of the depreciable assets in the business of the taxpayer or to the period during which such assets are held by the taxpayer.

The significance, if any, to be attached to the omission of the words "in the business" from Regulations 111 is obscure. We attach no significance thereto because in our view the practice and position of the Commissioner has been the same under Regulations 45 and succeeding regulations up to T.D. 6182, except for a few recent cases under Regulations 111 of the Internal Revenue Code of 1939,[4] in which the Commissioner asserted the concepts of "useful life" and "salvage value" embodied in T.D. 6182.

From the practice of the Commissioner over the years, it appears to us that the phrase "in the business" included in earlier regulations simply defined the type of assets which were subject to the depreciation allowance. The omission of such phrase from Treasury Regulations 111 would not furnish the basis for an interpretation of the term "useful life" which it did not have when the phrase appeared in the regulations.

As stated above, the basic statutory provision relating to depreciation of property used in a trade or business was so general as to render an interpretative regulation appropriate. Section 3791 of the Internal Revenue Code of 1939 states that the Commissioner, with the approval of the Secretary, "shall prescribe and publish all needful rules and regulations for the enforcement of this title." Pursuant to such Congressional direction, the Commissioner issued Regulations 111, of which section 29.23(1) is a part. This section was prepared by the department charged with the enforcement of the Act. In carrying out the Congressional directive, it was necessary for the Commissioner to select some base on which the annual allowance for depreciation might be measured. The language in
112 section 29.23(1) indicates that the Commissioner selected as the base the estimated physical or economic life of the depreciable asset, and not the estimated holding

[4] Koelling vs. United States, U.S. District Court for the District of Nebraska (1957), 57-1 U.S.T.C., Paragraph 9453; Pilot Freight Carriers, Inc. vs. Commissioner (1956), 15 Tax Court Memo 1027; the instant case (1957), 16 CCH, Tax Court Memo 156.

period of such asset in the hands of the taxpayer. The section represents a fairly contemporaneous construction by the Commissioner of the statute. The section is not in conflict with the express provisions of the statute. It is reasonably adapted to the enforcement of the Act. If there exists any doubt as to the construction to be placed on the language of section 29.23(1), such doubt disappears in the light of the consistent practice and position of the Commissioner from 1939 to 1956. No decision of the United States courts or the Tax Court has been called to our attention, except the very recent decisions heretofore mentioned, in which the Commissioner asserted that the term "useful life" should be limited to the period during which the depreciable asset was held by the taxpayer. On the contrary, the consistent, long-continued practice and position of the Commissioner were that "useful life" of the depreciable asset was its estimated physical or economic life.

Our attention has been directed to certain pronouncements of the Commissioner dealing with the general subject under review.[5] In each of such pronouncements, it is evident that the Commissioner's concept of the term "useful life" was not measured by the period in which the depreciable asset was useful in the taxpayer's business, but was measured rather by the economic or physical life of the depreciable asset.

Further evidence of the position of the Commissioner is drawn from his acquiescence in decisions of the Board of Tax Appeals[6] which measured "useful life" of the depreciable asset not by the holding period of such asset by the particular taxpayer, but by the economic or physical life of such asset.

In the case of General Securities Co., BTA Memo., CCH Dec. 12,500-D (1942), affirmed per curiam 137 F. 2d 201, the taxpayer claimed a useful life of three years for automobiles used in its business. The taxpayer kept its cars one or
113 two years, and when traded in after one year the cars retained a value of from one-third to one-half of their original value. The Commissioner attempted to compel the taxpayer to depreciate such automobiles over a useful life of more than three years. The Tax Court found that the normal useful life of such automobiles was three years.

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[5] O.D. 845, Cumulative Bulletin—January–June 1921, page 178. I.R. Bulletin 108, 1953—1 CB 185; and Rev. Rul. 54-229, 1954—1 CB 124.

[6] Sanford Cotton Mills, 14 BTA 1210 (1929), Acq. X-2 CB 63; Merkle Broom Co., 3 BTA 1084 (1926), Acq. V-2 CB 2; Max Kurtz, et al., 8 BTA 679 (1927), Acq. VII-1 CB 18.

In the recent case of Philber Equipment Corp. vs. Commissioner of Internal Revenue, 237 F. 2d 129 (C.A. 3d 1956), taxable years 1951–52 were involved. The taxpayer was engaged in the business of furnishing trucks, trailers and tractors to the public on a lease basis. The single issue in that case was whether the motor vehicles owned by taxpayer were "held primarily for sale to customers in ordinary course of petitioner's trade or business" within the meaning of Sections 117 (a) and (j) of the Internal Revenue Code of 1939, 26 U.S.C.A. section 117 (a) and (j). The court stated at page 130: "During the taxable years, existing conditions made it difficult or impossible to re-lease most of the equipment. Taxpayer knew that when equipment was purchased, it would probably be able to rent the equipment for a period substantially less than its useful life, and sale of the equipment would follow expiration of a lease." The Commissioner stated in his brief [7] filed in that case, "Because of existing conditions taxpayer knew when it purchased equipment that it would likely be able to rent such equipment only for a period that was substantially less than its useful life." (Page 5 of brief.) At page 11 of the brief, the Commissioner stated, "* * * all of the leases involved were only for a one-year term, a period substantially less than the useful life of this type of equipment as its resale in the tax years and re-lease in later years demonstrated." The statements of the Commissioner in the above case are simply confirmatory of the position taken by the Commissioner over a period of many years.

Petitioner calls attention to Internal Revenue Bulletin "F", which was issued in 1920 and revised in 1942. It was republished as Internal Revenue Bulletin 173 in 1955. This bulletin sets forth general depreciation policy and tables of estimated lives of particular kinds of assets. This
114 bulletin is titled "Income Tax Depreciation and Obsolescence, Estimated Useful Lives and Depreciation Rates." The title page states, "This bulletin supersedes Bulletin 'F' (revised January 1931) and 'Depreciation Studies' (published January 1931). It contains information and statistical data relating to the determination of deductions for depreciation and obsolescence, from which taxpayers and their counsel may obtain the best available indication of Bureau

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[7] Brief of respondent, Philber Equipment Corp. vs. Commissioner of Internal Revenue, C.A. 3rd, Docket No. 11,860.

practice and the trend and tendency of official opinion in the administration of pertinent provisions of the Internal Revenue Code and corresponding or similar provisions of prior Revenue Acts. It does not have the force and effect of a Treasury Decision and does not commit the Department to any interpretation of the law which has not been formally approved and promulgated by the Secretary of the Treasury."

In the first paragraph of the Introduction (Part I, page 1 of the Bulletin) it is stated: "The Federal income tax in general is based upon net income of a specified period designated as the taxable year. The production of net income usually involves the use of capital assets which wear out, become exhausted, or are consumed in such use. The wearing out, exhaustion, or consumption usually is gradual, extending over a period of years. It is ordinarily called depreciation, and the period over which it extends is the normal useful life of the asset."

The first paragraph on page 3, under the heading "Probable Useful Life—Rates of Depreciation and Obsolescence" is as follows: "In general.—The amount of the annual deduction allowable for depreciation is ordinarily dependent upon the expected useful life of the asset. The factors which determine the useful life of property in a trade or business have already been discussed briefly in the Introduction. These factors are wear and tear and decay or decline from natural causes; and also various forms of obsolescence attributable to the normal progress of the art, economic changes, inventions, and inadequacy to the growing needs of the trade or business. Two principal forms or types of obsolescence are generally recognized, that is, normal obsolescence and extraordinary special obsolescence."

At page 7, under the heading of "Salvage" it is stated: "Salvage value is the amount realizable from the sale or
115 other disposition of items recovered when property has become no longer useful in the taxpayer's business and is demolished, dismantled, or retired from service. * * *"

Under the heading "Lives of Depreciable Property" is the following: "In this compilation are listed for each industry the useful lives of various assets, including wherever practicable lives for composite/accounts and group accounts. * * * All lives are given without fractional years. In practice, however, fractions may be used."

The recommended useful life on motors and other vehicles appears on page 52. Therein it is stated, "Motor vehicles included in this classification are those used by commercial enterprises other than public utility and construction.

Lives considered reasonable are indicated below:

Automobiles:	Years
Passenger	5
Salesman	3 * * *"

In the instant case, as noted above, the petitioner used a useful life of four years in his depreciation schedules.

While we recognize that Bulletin "F" does not have the force of law, we do believe that a fair construction of the pertinent provisions of such Bulletin, aided by the practice of the Commissioner; reasonably indicates that the Commissioner did not consider as a factor in determining depreciation the expected or intended disposal plans of the taxpayer with respect to property used in his trade or business, nor did the Commissioner consider that the useful life of an asset was to be measured by the estimated holding period of such asset by the taxpayer.

Decisions of the Board of Tax Appeals and the Tax Court[8] extending over many years have, but with little discussion, measured the useful life of a depreciable asset used in the
116 trade or business of the taxpayer not by the holding period of such asset by a particular taxpayer but by the economic or physical life of such asset.

In a recent decision of the United States District Court [9] involving the same tax years as in the instant case, the same type of business, and the same disposal practice as to automobiles, the court upheld the taxpayer's depreciation practice based on a useful life of three years. Similar holdings were made in district court cases.[10]

In The Hertz Corporation, etc. vs. United States, supra, the litigation arose under the Internal Revenue Code of 1954,

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[8] West Virginia & Pennsylvania Coal & Coke Co., 1 BTA 790 (1925); J. R. James, 2 BTA 1071 (1925), Acq. V-1 CB 3; Wallace G. Kay, 10 BTA 534 (1928), Acq. VII-1 CB 17; W. N. Foster, et al., 2 TCM 595 (1943); John A. Maguire Estate, Ltd., 17 BTA 394 (1929), Acq. IX-1 CB 34; Nat Lewis, 13 TCM 1167 (1954); and Whitman-Douglas Co., 8 BTA 694 (1927).

[9] Massey Motors, Inc. vs. United States of America (U.S. District Court, S.D. Florida 1957), 156 F. Supp. 516.

[10] Davidson vs. Tomlinson (U.S. District Court, S.D. Florida, 1958), reported in 58-2 U.S.T.C., Paragraph 9739; Lynch-Davidson Motors, Inc., vs. Tomlinson (S.D. Florida, 1958), reported at 58-2, U.S.T.C., Paragraph 9738.

the tax years involved being the years ending March 31, 1954, 1955 and 1956. The district court refused to apply the concept of "useful life" set forth in T.D. 6182 to taxable years prior to the promulgation of such regulations. The court stated: "The final question is whether or not, under the circumstances, the Commissioner may apply these regulations retroactively to include years prior to their promulgation. Retroactive laws are not favored. Long prior to the issuance of the new regulations in 1956, the Commissioner by his pronouncements and conduct had apparently acquiesced in the construction of 'useful life' given to the phrase by business and accounting circles and had been permitting taxpayers to make use of the declining-balance method of depreciation in situations similar to this. Nor did the language of the regulations (prior to that now under consideration) give any indication that the hitherto long-settled interpretation of the term would be changed. Furthermore, when the words 'useful life of the depreciable property' were inserted in the Regulations in 1942, they were capable of the construction that 'useful life' meant the whole physical life of the property.

"Taxpayers had a right to file their returns in reliance upon the Commissioner's long-continued interpretation of his
117 own Regulations. Here a new regulation has been promulgated defining the term 'useful life' pursuant to a statute which for the first time has employed the term and where the intention of Congress with respect to its definition is clearly contrary to the interpretation, as evidenced by conduct and frequent pronouncements, which the Commissioner has given it in the past. Common justice requires that it be given a prospective construction only. * * *"

The long-continued and consistent practice and position of the Commissioner in measuring useful life by the physical or economic life of the depreciable asset were reflected in testimony before the Tax Court. At the trial in the Tax Court, two witnesses testified on behalf of petitioner. Both were certified public accountants licensed to practice their profession in several states, and both were admitted to practice before the Treasury Department. Each was a member of a separate accounting firm which practiced accounting nationwide. Each witness stated that he had had experience representing taxpayers before the Internal Revenue Service on depreciation matters. One witness had practiced his profession since 1930, and

the other since 1934. Both testified that in the accounting profession the term "useful life" for depreciation purposes denoted the physical life or economic life of a particular asset, and that the term "salvage value" denoted the junk or scrap value of an asset at the expiration of its useful life. Both testified that in their experience in dealing with the Internal Revenue Service prior to 1954, on the subject of depreciation, the practice of the Internal Revenue Service was to apply the same concepts of such terms as such concepts were generally understood in the accounting profession. The respondent offered no testimony on the subject. The Tax Court stated, in admitting such evidence, that such testimony was not controlling.

In light of the language of Section 29.23(1), the consistent practice and position of the Commissioner over many years, the interpretation placed on the term "useful life" by decisions of the Tax Court extending over a long period, we hold that under the Internal Revenue Code of 1939 the Tax Court erred when it measured useful life of the depreciable assets involved here by the period during which such assets were held in the business of petitioner instead of the physical or economic life of
118 such assets. The application by the Tax Court of an erroneous concept of "useful life" necessarily requires a re-determination by the Tax Court of "salvage value". The Tax Court determined salvage value to be the estimated proceeds which would be realized from such assets when they were no longer useful in the business of petitioner and were to be disposed of by him, instead of the estimated proceeds which would be realized upon the sale or other disposition of such assets at the end of their physical or economic life. We do not agree with the petitioner's contention that the value remaining in such assets at the end of their physical or economic life necessarily means scrap or junk value. Initially, petitioner should have estimated salvage value upon acquisition of such assets and such value should have been adjusted at the end of each taxable year if conditions then existing reasonably indicated that a different value would probably be realized at the end of the physical or economic life from the sale or other disposition of such assets.

The period over which useful life—meaning the physical or economic life—extends and the salvage value at the end of such period are questions of fact to be determined by the Tax Court on the remand of this cause.

In support of the decision of the Tax Court, the Commissioner argues, inter alia, that obsolescence was the principal factor in the depreciation of petitioner's automobiles, and that the depreciation deduction must be based upon and take into consideration obsolescence as well as exhaustion caused by physical wear and tear. The cogency of such observation is not clear to us unless the Commissioner intends to suggest that petitioner should have but failed to claim depreciation based on obsolescence in addition to claiming depreciation caused by exhaustion through wear and tear. No meaningful mention of the word "obsolescence" appears in the findings, conclusions, decision of the Tax Court, or elsewhere in the record.

Regulations 111 covering the taxable years here in issue provide in section 23.23(1)–6, in part: "With respect to physical property the whole or any portion of which is clearly shown by the taxpayer as being affected by economic conditions *that will result in its being abandoned at a future date prior*
119 *to the end of its normal useful life,* so that depreciation deductions alone are insufficient to return the cost or other basis at the end of its economic term of usefulness, a reasonable deduction for obsolescence, in addition to depreciation, may be allowed in accordance with the facts obtaining with respect to each item of property concerning which a claim for obsolescence is made. [Emphasis added.] There is no evidence in the record which suggests that obsolescence is a factor which should be considered in this case. The foundation for obsolescence is, according to the Regulations, the expected early abandonment of the property. The term "abandon" has been held not to include property which was to be sold at a time when it had substantial value and was to be used for other purposes instead of being scrapped. *The Olean Times-Herald Corporation,* 37 BTA 922 (1938); *Southeastern Building Corporation,* 3 TC 381 (1944), affirmed 148 F. 2d 879 (C.A. 5th, 1945), certiorari denied 326 U.S. 740; *Bradley* vs. *C.I.R.,* 184 F. 2d 860.

The Commissioner also asserts that the decision of the Tax Court must be affirmed because petitioner is not entitled to convert ordinary income into capital gain through the depreciation deduction, and that section 117(j) of the Internal Revenue Code of 1939, which permitted capital gain upon the sale or exchange of certain property used in a trade or business,

must be applied in such a manner that only a "reasonable allowance" for depreciation be deducted.

In his deficiency notice, the Commissioner stated: "It is further held that you were also in the business of selling used automobiles during the years 1950 and 1951. Consequently, the profit realized from the sale of the automobiles was income from the sale of property held primarily for sale in the ordinary course of your business within the meaning of section 117(j) of the Internal Revenue Code and such income may not be treated as a capital gain under the above-mentioned section of the Code. * * *" The Commissioner abandoned that issue in his brief filed with the Tax Court and conceded the right of petitioner, under section 117(j), to treat the sales of his automobiles as sales of property used in his trade or business, not held primarily for sale to customers in the ordinary
120 course of business. The Commissioner's abandonment of this approach was probably influenced by the decision of Philber Equipment Corp. vs. Commissioner of Internal Revenue, supra. That case involved the same type of business in which petitioner engages and with similar disposal practices of automobiles. The court held, since the circumstances disclosed that the acquisition, use and disposition of taxpayer's vehicles was consistent with business purposes of vehicle rental, that his vehicles were not held primarily for sale to customers, and thus the gain from the sale of such vehicles was not ordinary income but was capital gain and was taxable as such.

The argument is not convincing in the light of the long-continued and consistent practice of the Commissioner outlined above, which led taxpayers to adopt a method of depreciation which the Commissioner now contends results in unreasonable deductions for depreciation, and the legislative history of section 117(j). In amending, in 1942, section 117 of the Internal Revenue Code of 1939 by adding sub-section (j), Congress extended to taxpayers who sold at a profit depreciable assets used in a trade or business, held for more than six months, and not held primarily for sale to customers in the ordinary course of business, the favorable treatment on such profits accorded to capital gains. The legislative history of section 117(j) shows that Congress has not receded from its original purpose. Congress was aware of the Commissioner's contention that taxpayers were converting into capital gains

ordinary income arising from unreasonable deductions for depreciation.

Congress and the Treasury Department were well aware of the losses in revenue occurring under section 117(j). The report of the Business Tax Section of the Division of Tax Research of the Treasury Department submitted to the Ways and Means Committee of the House of Representatives (see "Revenue Revisions," 1947–1948, hearings of December 2–12, 1947, Part 5, page 3756) contained warnings against revenue losses through the benefits of capital gain treatment of profits from sale of assets subject to accelerated depreciation, and recommended that if the taxpayer elects to use accelerated depreciation, gains to the extent of the excess of accelerated over
121 normal depreciation should be treated as ordinary income. Congress took no action. In 1950 the Treasury Department recommended to Congress that losses on the sale of depreciable business assets be treated as capital rather than ordinary losses (see Committee Reports on HR–8920, 81st Congress, Second Session). Again Congress did not act. On April 19, 1954, the Committee on Federal Taxation of the American Institute of Accountants filed with the Senate Finance Committee its recommendation number 180, with respect to section 1231 of the proposed Internal Revenue Code of 1954, as follows: "Gain or loss of property used in the trade or business, etc.; should be treated uniformly as ordinary income or loss." [11] The recommendation was heard but not adopted.

In the Revenue Code of 1954, Congress limited capital gains on sales of emergency facilities amortized under section 168, but did not limit capital gains upon the sale of assets used in a trade or business. The House report [12] states, with respect to section 1231, "This section is derived from section 117(j) of the present law. There is no substantive change intended but some rearrangement has been made."

The Commissioner contends that to define "useful life" as the physical or economic life of a depreciable asset does violence of the Congressional intent expressed in the basic statute that there shall be allowed as a deduction from gross income "a reasonable allowance for exhaustion, wear and tear * * * of property used in the trade or business * * *" and is contrary

[11] Hearings before the Committee on Finance, U.S. Senate, 83d Congress, Second Session, on HR–8300, Part 3, page 1324.

[12] Page 275 of House Report No. 1337, 83d Congress, Second Session.

to the theory underlying such allowance that the yearly depreciation deduction reasonably reflect that portion of the value of the capital assets consumed in earning the gross income for the taxable year, citing U.S. vs. Ludey, 274 U.S. 295; Virginia Hotel Co. vs. Helvering, Commissioner of Internal Revenue, 319 U.S. 523; Detroit Edison Co. vs. Commissioner of Internal Revenue, 319 U.S. 98.

Again, the Commissioner overlooks the force of his own regulations, his long-continued, consistent practice thereunder, and the Congressional intent expressed in the enactment and subsequent legislative history of section 117(j).

122 Finally, the Commissioner contends that the findings of fact of the Tax Court that the short term rental cars had a useful life of 17 months and the long term rental cars had a useful life of three years each, and that each car of each class had a value of $1,325 and $600 respectively, must be accepted by this Court unless clearly erroneous. Such findings are conclusions of law, legal inferences from the evidentiary facts or, in any event, determinations of questions of law and fact. They were arrived at by the application of erroneous concepts of the terms "useful life" and "salvage value". Under such circumstances we are not bound by the "clearly erroneous" rule. Curtis vs. Commissioner of Internal Revenue, 232 F. 2d 167; Helvering vs. Tex-Penn Oil Co., 300 U.S. 481.

The decision of the Tax Court is reversed and the cause remanded to the Tax Court for further hearing and proceedings for the redetermination of the tax liability of petitioners in a manner consistent with the views expressed herein.

[File endorsement omitted.]

123 In United States Court of Appeals for the Ninth Circuit

No. 15985

Robley H. Evans and Julia M. Evans, petitioners

v.

Commissioner of Internal Revenue, respondent

Judgment

Filed and Entered January 26, 1959

UPON PETITION TO REVIEW A DECISION OF THE TAX COURT OF THE UNITED STATES

This cause came on to be heard on the Transcript of the Record from the Tax Court of the United States, and was duly submitted.

On consideration whereof, it is now here ordered and adjudged by this Court, that the Decision of the said Tax Court in this cause be, and hereby is reversed, and that this cause be, and hereby is remanded to the said Tax Court for further hearing and proceedings for the redetermination of the tax liability of petitioners in a manner consistent with the views expressed in the opinion of this Court.

[File endorsement omitted.]

124 [Clerk's certificate to foregoing transcript omitted in printing.]

125 Supreme Court of the United States

No. —, October Term, 1958

[Title omitted.]

Order extending time to file petition for writ of certiorari

April 23, 1959

Upon consideration of the application of counsel for petitioner(s),

It is ordered that the time for filing petition for writ of certiorari in the above-entitled cause be, and the same is hereby, extended to and including June 25, 1959.

WM. O. DOUGLAS,
Associate Justice of the Supreme Court of the United States.

Dated this 23d day of April 1959.

126 Supreme Court of the United States

No. 143, October Term, 1959

COMMISSIONER OF INTERNAL REVENUE, PETITIONER

v.

ROBLEY H. EVANS AND JULIA M. EVANS

Order allowing certiorari

October 12, 1959

The petition herein for a writ of certiorari to the United States Court of Appeals for the Ninth Circuit is granted, and the case is transferred to the summary calendar.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

127 *Petitioner's Exhibit No. 11*

ROBLEY H. EVANS, SEATTLE, WASHINGTON

Schedule of long term capital losses, Schedule D, Form 1040, December 31, 1946

Car No.	Date aquired	Date sold	Sales price	Cost	Depreciation	Loss
962	6/30/45	2/28/46	$750.00	$1,095.00	$205.29	$139.71
633	8/31/44	2/28/46	700.00	1,115.00	325.21	89.79
407	8/31/45	7/31/46	950.00	1,433.00	358.32	124.68
983	3/31/45	10/31/46	800.00	1,444.50	511.53	132.97
Total			3,200.00	5,087.50	1,400.35	487.15

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ROBLEY H. EVANS, SEATTLE, WASHINGTON

Schedule of short term capital gains, Schedule D, Form 1040, December 31, 1946

Car No.	Date aquired	Date sold	Sales price	Cost	Deprecia-tion	Gain
484	7/31/46	10/31/46	$1,617.74	$1,617.74	$101.10	$101.10
227	7/31/46	11/30/46	1,780.95	1,603.13	133.60	311.42
332	8/31/46	12/31/46	1,667.74	1,647.60	137.28	157.42
Total			5,066.43	4,868.47	371.98	569.94

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ROBLEY H. EVANS, SEATTLE, WASHINGTON

Schedule of long term capital gains, Schedule D, Form 1040, December 31, 1946

Car No.	Date aquired	Date sold	Sales price	Cost	Deprecia-tion	Gain
399	2/28/41	2/28/46	$285.00	$1,089.80	$1,089.80	$285.00
101	8/31/41	8/31/46	800.00	1,024.44	1,024.44	800.00
011	9/30/40	9/30/46	600.00	1,023.38	1,023.38	600.00
006	10/31/40	10/31/46	775.00	820.05	820.05	775.00
214	10/31/44	10/31/46	850.00	1,639.68	819.84	30.16
460	10/31/41	10/31/46	500.00	621.09	621.09	500.00
892	10/31/41	10/31/46	575.00	750.00	750.00	575.00
020	8/31/40	10/31/46	800.00	819.16	819.16	800.00
406	10/31/41	10/31/46	900.00	1,003.24	1,003.24	900.00
013	12/31/40	12/31/46	925.00	859.46	809.46	875.00
200	8/31/42	12/31/46	1,500.00	2,089.42	1,871.79	1,282.37
Total			8,570.00	11,739.72	10,652.25	7,482.53

Petitioner's Exhibit No. 10

Robley H. Evans, Seattle, Washington

Schedule of long term capital gains, Schedule D, Form 1040, year ended December 31, 1947

Car No.	Date acquired	Date sold	Sales price	Cost	Depreciation	Book value	Gain
461	6/30/41	1/31/47	$825.00	$897.03	$897.03		$825.00
128	4/30/42	1/31/47	850.00	901.25	901.25		850.00
010	7/31/41	1/31/47	875.00	905.84	905.84		875.00
624	6/30/41	1/31/47	800.00	893.87	893.87		800.00
225		1/31/47	800.00	892.97	892.97		800.00
202	1/31/42	1/31/47	800.00	773.64	773.64		800.00
796	7/31/41	1/31/47	800.00	886.21	886.21		800.00
405	1/31/41	2/28/47	905.00	1,054.27	1,054.27		905.00
797	7/31/41	2/28/47	770.00	886.21	886.21		770.00
831	7/31/41	2/28/47	750.00	900.37	900.37		750.00
001	10/31/40	2/28/47	484.05	834.43	834.43		484.05
611	11/30/41	4/30/47	795.46	1,023.38	1,023.38		795.46
406	1/31/42	4/30/47	795.46	1,022.85	1,022.85		795.46
301	5/31/41	4/30/47	795.46	839.87	839.87		795.46
016	2/28/41	4/30/47	795.46	836.62	836.62		795.46
628	12/31/41	4/30/47	795.46	1,071.26	1,071.26		795.46
017	1/28/41	4/30/47	795.45	814.99	814.99		795.45
009	7/31/41	4/30/47	795.45	907.28	907.28		795.45
129	1/31/42	4/30/47	795.45	991.11	991.11		795.45
014	12/31/40	4/30/47	795.45	810.81	810.81		795.45
855	7/31/45	4/30/47	795.45	1,050.00	437.40	$612.60	182.85
305	5/19/41	4/30/47	795.45	838.23	838.23		795.45
459	3/31/41	4/30/47	867.50	763.43	763.43		867.50
795	3/31/41	5/31/47	825.00	769.64	769.64		825.00
404	1/31/42	7/31/47	1,200.00	1,156.26	1,156.26		1,200.00
965	2/28/46	7/31/47	650.00	950.00	336.43	613.57	36.43
Ford Truck	12/31/46	7/31/47	1,200.00	1,357.85	198.03	1,159.82	40.18
072	4/30/46	10/31/47	1,525.00	1,301.25	487.98	813.27	711.73
002	4/30/46	10/31/47	1,750.00	1,304.76	490.86	813.90	936.10
930	11/30/46	10/31/47	1,400.00	1,420.96	312.09	1,108.87	291.13
003	4/30/46	10/31/47	1,350.00	1,304.76	490.86	813.90	536.10
572	7/31/46	10/31/47	1,350.00	674.74	191.76	482.98	867.02
198	10/31/46	12/31/47	1,471.78	1,435.95	388.96	1,046.99	424.79
171	3/1/47	9/30/47	1,449.00	1,384.25	144.25	1,240.00	209.00
882	1/31/47	9/30/47	1,545.00	1,540.65	223.96	1,316.69	228.31
370	12/31/46	9/30/47	1,300.00	577.10	71.77	505.33	794.67
Total			35,292.33	35,974.09	25,446.17	10,527.92	24,764.41

131 **Robley H. Evans, Seattle, Washington**

Schedule of short term capital gains, Schedule D, Form 1040, year ended December 31, 1947

Car No.	Date acquired	Date sold	Sales price	Cost	Depr.	Book value	Gain
Detroit	6/30/47	6/30/47	$1,210.00	$1,203.50	$32.46	$1,203.50	$6.50
Zeff	12/31/46	1/31/47	1,558.16	1,558.16	32.46	1,525.70	32.46
749	12/31/46	1/31/47	1,698.38	652.37	27.18	625.19	1,073.19
998	5/31/47	8/31/47	1,530.00	1,430.95	87.75	1,343.20	186.80
251	12/31/46	3/31/47	1,834.36	1,712.00	106.98	1,605.02	229.34
Total							1,528.29

132 **Robley H. Evans, Seattle, Washington**

Schedule of long term capital losses, Schedule D, Form 1040, year ended December 31, 1947

Item	Date acquired	Date sold	Sales price	Cost	Depr.	Book value	Losses
653	9/30/45	7/31/47	$600.00	$1,400.00	$489.93	$910.07	$310.07
Furniture	12/31/46	12/31/47	10.00	223.03	52.08	170.95	160.95
Total							471.02

133 *Petitioner's Exhibit No. 5*

Robley H. and Julia M. Evans

Line 4. Schedule of short term capital gains, December 31, 1948

Automobiles No.	Date acquired	Date sold	Sale price	Deprec.	Cost	Profit
533	3/31/48	3/31/48	$1,657.19		$1,657.19	
426	4/30/48	4/30/48	1,677.06		1,603.94	$73.12
834	2/28/48	4/30/48	1,762.24	$66.72	1,642.90	186.06
782	6/30/48	7/31/48	1,740.77	30.05	1,442.40	328.42
214	9/30/48	10/31/48	2,115.00		2,114.36	.64
289	9/30/48	10/31/48	1,886.30	39.30	1,886.30	39.30
060	8/31/48	10/31/48	1,821.05	75.88	1,821.05	75.88
433	8/31/48	10/31/48	1,743.90	72.66	1,743.90	72.66
436	8/31/48	10/31/48	1,696.40	70.68	1,696.40	70.68
286	9/30/48	10/31/48	1,961.30	40.86	1,961.30	40.86
287	9/30/48	10/31/48	1,961.30	40.86	1,961.30	40.86
737	10/31/48	11/30/48	2,250.00	42.20	2,025.50	266.70
Total			22,272.51	479.21	21,556.54	1,195.18

134 **Robley H. and Julia M. Evans**

Line 5. Schedule of long term capital gains sale of office equipment, Burroughs Adding Machine

Date acquired	Date sold	Sale price	Deprec.	Cost	Profit
9/30/37	4/30/48	$32.50	$45.90	$45.90	$32.50

135 **Robley H. and Julia M. Evans**

Line 5. Schedule of long term capital losses

Automobiles No.	Date acquired	Date sold	Sale price	Deprec.	Cost	Loss
[illegible]	2/28/47	5/31/48	$950.00	$396.24	$1,359.01	$12.77
548	10/31/47	10/31/48	350.00	354.61	1,418.50	713.89
Total			1,300.00	750.85	2,777.51	726.66

Line 5. Schedule of long term capital gains

Automobiles No.	Date acquired	Date sold	Sale price	Deprec.	Cost	Profit
291	1/31/47	1/31/48	$1,350.00	$189.65	$858.76	$680.89
445	9/30/46	1/31/48	1,350.00	453.28	1,382.55	420.73
418	8/31/46	1/31/48	1,425.00	221.92	665.70	981.22
231	9/30/46	1/31/48	1,425.00	517.44	1,552.18	390.26
259	12/31/46	1/31/48	1,400.00	414.39	1,575.51	238.88
477	2/28/47	2/28/48	1,500.00	287.58	1,289.45	498.13
137	9/30/46	2/28/48	1,500.00	503.68	1,436.01	567.67
854	12/31/46	2/28/48	1,450.00	391.19	1,368.05	473.14
279	2/28/47	2/28/48	1,500.00	322.00	1,438.00	[illegible]
027	9/30/46	2/28/48	1,416.66	180.87	504.12	1,093.41
086	6/30/47	2/28/48	1,416.67	230.34	1,407.96	239.05
149	9/30/46	2/28/48	1,416.67	312.10	943.40	785.37
828	12/31/46	2/28/48	1,500.00	391.38	1,362.25	529.13
680	6/30/47	2/28/48	1,575.00	238.38	1,473.97	339.41
473	5/31/47	2/28/48	1,650.00	246.66	1,502.52	394.14
502	7/31/47	3/31/48	1,600.00	243.01	1,477.57	365.44
(887)	(2/28/47)	(5/31/48)	(950.00)	(396.24)	(1,359.01)	(**1277)
305	9/30/47	6/30/48	1,000.00	496.87	1,134.08	362.79
843	8/31/46	6/30/48	1,000.00	583.65	1,275.92	307.73
092	11/30/46	6/30/48	1,400.00	478.[illegible]	1,235.35	643.23
419	8/31/46	7/31/48	1,371.60	700.98	1,491.40	580.18
420	5/31/47	7/31/48	1,371.60	388.44	1,448.68	311.36
582	9/30/47	7/31/48	1,371.60	303.78	1,460.90	214.48
725	10/31/46	7/31/48	1,371.60	362.52	864.66	869.46
757	7/31/47	7/31/48	1,371.60	375.34	1,514.32	232.62
041	7/31/46	7/31/48	1,400.00	281.90	637.92	1,043.98
003	10/31/46	7/31/48	840.00	593.71	1,381.17	52.54
576	10/31/46	9/30/48	1,300.00	348.78	751.70	[illegible]97.08
336	11/30/46	9/30/48	1,200.00	56[illegible]	1,234.15	532.69
361	1/31/47	9/30/48	1,175.00	618.[illegible]	1,517.87	275.57
278	2/28/47	10/31/48	1,575.00	606.80	1,534.90	646.90
(548)	(10/31/47)	(10/31/48)	(350.00)	(354.61)	(1,418.50)	(713.89)
170	12/31/46	10/31/48	1,650.00	597.45	1,350.84	896.61
633	12/31/47	10/31/48	1,553.69	323.70	1,553.69	323.70
283	8/31/47	10/31/48	1,484.71	433.12	1,484.71	433.12
948	6/30/47	10/31/48	1,278.66	423.43	1,278.66	423.43
733	8/31/47	10/31/48	1,352.06	394.39	1,352.06	394.39
060	4/30/47	10/31/48	1,367.97	489.30	1,367.97	489.30
399	5/31/47	10/31/48	1,392.88	463.23	1,392.88	463.23
753	7/31/47	10/31/48	1,425.26	443.[illegible]	1,425.26	443.49
768	3/31/47	10/31/48	1,390.85	518.60	1,390.85	518.60
769	3/31/47	10/31/48	1,390.86	518.60	1,390.86	518.60
618	10/31/47	10/31/48	1,526.87	380.[illegible]	1,526.87	380.90
850	10/31/47	10/31/48	1,423.44	355.01	1,423.44	355.01
874	9/31/47	10/31/48	1,335.31	360.47	1,335.31	360.47
453	5/31/47	10/31/48	1,362.38	478.81	1,362.38	478.81
757	2/28/48	10/31/48	1,616.16	269.36	1,616.16	269.36
758	2/28/48	10/31/48	1,616.16	269.36	1,616.16	269.36
183	3/31/47	10/31/48	1,150.00	539.53	1,408.72	280.81
463	10/31/46	10/31/48	1,150.00	726.92	1,463.00	413.92
537	8/31/47	10/31/48	1,550.00	461.82	1,583.01	428.81
100	11/30/46	11/30/48	1,673.08	693.83	1,420.26	946.65
Total			69,913.34	21,000.82	66,464.11	24,450.05

Matter in parentheses ( ) signifies canceled.

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Respondent's Exhibit A

Robley H. and Julia M. Evans

Schedule D. Schedule of short term capital gains, December 31, 1949

Car No.	Date pur.	Date sold	Sale price	Deprec.	Cost	Profit
178	7/31/49	9/30/49	$1,550.00	$62.56	$1,501.64	$110.92
134	5/31/49	10/31/49	1,475.00	162.46	1,573.54	63.92
189	8/2/49	10/31/49	1,475.00	56.88	1,391.78	140.10
2?5	12/31/49	12/31/49	1,517.35		1,517.35	
Total			6,017.35	281.90	5,984.31	314.94

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Robley H. and Julia M. Evans

Schedule D. Schedule of long term capital gains

Car No.	Date pur.	Date sold	Sale price	Deprec.	Cost	Profit
101	12/31/48	1/31/49	$1,300.00	$770.93	$1,440.02	$630.91
138	9/30/46	1/31/49	1,350.00	862.72	1,436.01	776.71
462	8/31/46	1/31/49	1,000.00	717.66	1,160.65	557.01
686	9/30/46	1/31/49	1,324.50	759.11	1,268.90	814.71
879	4/30/47	1/31/49	1,400.00	643.02	1,469.89	573.13
002	10/31/46	2/28/49	1,265.00	844.01	1,434.05	674.96
192	2/28/47	2/28/49	1,250.00	761.86	1,542.59	469.27
229	2/28/47	2/28/49	1,300.00	679.56	1,366.42	613.14
297	10/31/46	2/28/49	1,325.00	813.72	1,343.52	795.20
337	11/30/46	2/28/49	1,300.00	800.44	1,390.49	709.95
487	4/30/47	2/28/49	1,300.00	616.92	1,350.84	566.08
745	1/31/47	2/28/49	1,250.00	721.00	1,429.58	541.42
872	4/30/47	2/28/49	1,300.00	668.83	1,470.38	498.45
889	2/28/47	2/28/49	1,325.00	697.10	1,394.26	627.84
040	7/31/46	3/31/49	1,250.00	395.68	637.62	1,008.06
062	3/31/48	3/31/49	1,600.00	395.25	1,589.47	405.78
230	2/28/47	3/31/49	1,200.00	686.82	1,400.45	586.37
231	2/28/47	3/31/49	1,235.00	678.22	1,374.06	539.16
286	4/30/47	3/31/49	1,235.00	662.28	1,450.60	446.68
303	9/30/46	3/31/49	1,250.00	852.49	1,398.26	704.23
372	3/31/47	3/31/49	1,235.00	677.31	1,419.50	492.81
558	1/31/47	3/31/49	1,300.10	740.04	1,429.35	610.79
687	9/30/46	3/31/49	1,200.00	809.62	1,323.17	686.45
759	12/31/47	3/31/49	1,350.00	452.38	1,470.83	331.55
829	6/30/47	3/31/49	1,300.00	546.44	1,257.84	588.60
830	6/30/47	3/31/49	1,235.00	642.80	1,248.89	628.50
831	6/30/47	3/31/49	1,200.30	544.48	1,253.09	491.39
918	7/31/47	3/31/49	1,300.00	599.65	1,441.61	458.04
919	7/31/47	3/31/49	1,250.00	597.32	1,438.22	409.10
949	6/30/47	3/31/49	1,375.00	531.62	1,507.16	399.46
949	10/31/47	3/31/49	1,250.00	572.28	1,277.98	544.30
954	7/31/47	3/31/49	1,425.00	641.52	1,547.16	519.36
190	8/31/47	4/30/49	1,250.00	613.79	1,475.00	388.79
194	4/30/47	4/30/49	1,450.00	684.28	1,438.59	695.69
393	2/28/47	4/30/49	900.00	711.75	1,366.50	245.25
476	2/28/47	4/30/49	1,300.00	663.62	1,289.45	674.17
486	12/31/46	4/30/49	1,100.00	806.12	1,381.93	524.19
536	9/30/47	4/30/49	1,250.00	612.73	1,548.90	313.83
629	12/31/47	4/30/49	1,450.00	532.96	1,599.19	383.77

Schedule D. Schedule of long term capital gains—Continued

Car No.	Date pur.	Date sold	Sale price	Deprec.	Cost	Profit
639	12/31/47	4/30/49	$1,450.00	$567.85	$1,705.55	$312.30
126	3/31/47	5/30/49	1,300.00	755.42	1,451.50	603.92
356	1/31/47	5/31/49	1,000.00	799.60	1,429.35	370.25
486	4/30/47	5/31/49	1,250.00	680.17	1,370.59	559.58
566	2/28/48	5/31/49	1,200.00	516.15	1,651.51	64.64
821	8/31/47	5/31/49	1,340.00	649.95	1,485.77	504.18
255	4/30/47	6/30/49	1,250.00	738.97	1,424.15	564.82
832	6/30/47	6/30/49	1,250.00	618.49	1,241.66	626.83
802	7/31/47	6/30/49	1,250.00	803.50	1,685.19	368.31
756	6/30/47	6/30/49	1,250.00	622.64	1,253.09	619.55
658	12/31/49	6/30/49	1,300.00	569.66	1,563.93	305.73
326	12/31/47	6/30/49	1,340.00	565.24	1,510.00	395.24
463	12/31/47	6/30/49	1,225.00	552.88	1,472.16	305.72
905	5/31/47	6/30/49	1,225.00	727.07	1,459.08	492.99
547	10/31/47	6/30/49	1,300.00	604.69	1,454.95	449.74
139 950	10/31/47	6/30/49	1,250.00	508.61	1,460.79	297.82
243	12/31/47	7/31/49	1,250.00	587.69	1,481.08	356.61
260	8/31/47	7/31/49	1,125.00	802.68	1,672.84	254.84
723	10/31/48	8/31/49	1,500.00	382.70	1,836.87	45.83
174	12/31/47	9/30/49	1,225.00	688.82	1,570.39	343.43
532	8/31/47	9/30/49	1,075.00	782.75	1,502.90	354.85
680	12/31/47	9/30/49	1,025.00	696.30	1,592.98	128.32
064	10/31/47	9/30/49	1,125.00	800.11	1,669.74	255.37
065	10/31/47	9/30/49	1,100.00	800.20	1,669.74	230.46
079	11/30/47	9/30/49	1,300.00	743.28	1,623.42	419.86
091	3/31/48	9/30/49	1,125.00	590.76	1,613.52	102.24
177	6/30/48	9/30/49	1,225.00	514.06	1,652.02	87.04
187	8/31/47	9/30/49	1,125.00	790.48	1,521.02	394.46
243	9/30/48	9/30/49	1,200.00	367.12	1,476.98	90.14
244	9/30/48	9/30/49	1,225.00	367.12	1,476.98	115.14
067	7/31/48	9/30/49	1,250.00	490.15	1,683.09	57.06
284	7/31/48	9/30/49	1,345.00	465.92	1,613.35	197.57
645	12/31/47	9/30/49	1,100.00	667.40	1,570.68	196.72
686	12/31/47	9/30/49	1,025.00	697.15	1,594.98	127.17
754	1/31/48	9/30/49	1,140.00	696.60	1,672.61	163.99
755	1/31/48	9/30/49	1,025.00	696.60	1,672.61	48.99
756	1/31/48	9/30/49	1,100.00	696.60	1,672.62	123.98
758	12/31/47	9/30/49	1,025.00	630.63	1,461.17	194.46
836	2/28/48	9/30/49	975.00	599.07	1,519.16	54.91
884	3/31/48	9/30/49	1,150.00	596.07	1,594.06	152.01
866	8/31/48	9/30/49	1,225.00	395.79	1,465.29	155.50
904	5/31/47	9/30/49	1,025.00	836.67	1,493.67	367.60
674	12/31/47	9/30/49	1,025.00	657.32	1,500.54	181.78
110	3/31/48	10/31/49	1,050.00	616.36	1,560.29	106.07
155	4/30/48	10/31/49	1,250.00	551.56	1,475.79	325.77
407	4/30/48	10/31/49	1,200.00	526.64	1,406.75	319.89
709	6/30/48	10/31/49	1,200.00	522.06	1,569.29	152.77
948	12/31/48	10/31/49	1,400.00	354.75	1,730.09	24.66
803	7/31/47	10/31/49	1,300.00	736.27	1,615.15	421.12
094	7/31/48	12/31/49	1,290.00	573.50	1,623.96	239.54
076	7/31/48	12/31/49	1,290.00	595.23	1,682.20	203.03
101	4/31/49	12/31/49	1,600.00	305.36	1,832.20	73.16
102	9/30/48	12/31/49	1,200.00	499.74	1,603.22	96.52
159	5/31/48	12/31/49	1,090.00	620.21	1,569.29	140.92
167	5/31/48	12/31/49	1,090.00	555.01	1,406.79	238.22
242	9/30/48	12/31/49	1,175.00	459.61	1,476.99	157.62
408	4/30/48	12/31/49	835.96	595.15	1,431.11	....
428	4/30/48	12/31/49	1,100.00	684.21	1,645.80	138.41
440	4/30/48	12/31/49	1,090.00	651.41	1,567.43	173.98

Schedule D. Schedule of long term capital gains—Continued

Car No.	Date pur.	Date sold	Sale price	Deprec.	Cost	Profit
444	10/31/48	12/31/49	$1,390.00	$502.94	$1,731.18	$161.79
752	12/31/48	12/31/49	1,350.00	433.32	1,733.43	49.89
803	10/31/47	12/31/49	750.00	856.94	1,568.13	28.81
835	2/38/48	12/31/49	1,090.00	711.04	1,551.30	249.74
858	8/31/48	12/31/49	1,200.00	563.84	1,691.65	72.19
879	7/31/48	12/31/49	1,290.00	613.91	1,735.04	168.87
929	6/30/48	12/31/49	1,090.00	513.14	1,370.69	232.45
931	6/30/48	12/31/49	1,090.00	509.56	1,362.96	236.65
932	6/30/48	12/31/49	1,090.00	509.01	1,359.94	239.07
933	10/31/48	12/31/49	1,390.00	502.76	1,731.36	161.40
Total			131,985.56	67,881.98	161,587.95	38,279.59

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Respondent's Exhibit B

Schedule of long term loss, December 31, 1950

Car	Date pur.	Date sold	Selling	Cost	Res	Profit
868	9/30/48	5/31/50	$1,100.00	$1,895.23	$788.18	$7.05
682	11/31/48	6/30/50	1,150.00	1,903.53	752.44	1.09
Total			2,250.00	3,798.76	1,540.62	8.14

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Schedule of short term gain

Car	Date pur.	Date sold	Selling	Cost	Res	Profit
758	7/31/50	7/31/50	$1,648.32	$1,533.08		$115.24
802	9/30/50	9/30/50	1,867.00	1,698.00		169.00
800	9/30/50	10/31/50	1,921.03	1,751.63	$36.50	205.87
308	8/31/50	11/30/50	1,565.00	1,560.51	96.89	101.38
369	6/30/50	11/30/50	1,600.00	1,438.20	147.50	309.30
801	9/30/50	11/30/50	2,250.00	2,105.66	87.74	232.08
Total			10,851.32	10,087.08	368.63	1,132.87

Schedule of long term capital gains, 1950

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
241	9/30/48	1/31/50	$1,100.00	$1,476.98	$490.44	$113.46
867	4/30/47	1/31/50	1,475.00	1,846.34	1,230.88	859.54
139	8/2/49	2/14/50	1,400.00	1,581.51	196.25	14.74
180	7/31/49	2/28/50	1,425.00	1,628.52	234.64	31.12
283	7/31/48	2/28/50	1,150.00	1,634.33	645.26	160.93
464	2/28/48	2/28/50	975.00	1,545.91	770.54	199.63
726	12/31/48	2/28/50	1,325.00	1,724.33	497.88	98.55
781	6/30/48	2/28/50	1,125.00	1,487.24	618.46	256.22
784	6/30/48	2/28/50	1,125.00	1,488.13	618.82	255.69
857	8/31/48	2/28/50	1,125.00	1,729.21	646.29	42.08
125	3/31/48	3/31/50	1,000.00	1,560.29	778.66	218.37
172	9/30/48	3/31/50	1,050.00	1,603.21	600.06	46.85
373	3/31/47	3/31/50	500.00	1,386.25	1,010.61	124.36
436	4/30/48	3/31/50	1,050.00	1,645.80	787.26	191.46
783	6/30/48	3/31/50	1,525.00	1,487.24	649.48	687.24
829	6/30/48	3/31/50	1,125.00	1,569.29	685.65	241.36
804	10/31/47	3/31/50	1,000.00	1,568.13	944.89	376.76
947	12/31/48	3/31/50	1,300.00	1,748.10	540.10	98.00
867	9/30/48	3/31/50	1,200.00	1,895.22	709.12	13.90
046	11/30/48	4/30/50	1,250.00	1,886.02	653.12	17.10
169	5/31/48	4/30/50	1,075.00	1,406.79	673.34	341.55
406	4/30/48	4/30/50	1,075.00	1,406.76	702.68	370.92
583	4/30/48	4/30/50	1,075.00	1,560.28	779.48	294.20
578	6/30/48	4/30/50	1,000.00	1,634.32	746.74	112.42
607	7/31/48	4/30/50	1,000.00	1,660.34	724.82	64.48
727	12/31/48	4/30/50	1,175.00	1,719.68	569.76	25.08
166	5/31/48	4/30/50	1,275.00	1,402.84	669.11	541.27
196	10/10/49	4/26/50	1,775.00	1,795.91	221.36	200.45
152	12/31/48	4/30/50	1,195.00	1,730.42	573.28	37.86
193	8/31/49	4/30/50	1,206.09	1,442.01	235.92	
909	4/30/47	4/30/50	1,000.00	1,791.03	1,305.85	514.82
105	3/31/49	5/31/50	1,400.00	1,867.30	544.60	77.30
109	3/31/49	5/31/50	1,400.00	1,825.50	532.42	106.92
119	4/30/49	5/31/50	1,400.00	1,636.34	441.52	202.18
126	8/31/49	5/31/50	1,300.00	1,580.65	293.70	13.05
129	5/30/49	5/31/50	1,200.00	1,512.63	375.66	63.03
133	4/30/49	5/31/50	1,400.00	1,658.19	446.72	188.53
140	7/31/48	5/31/50	1,110.00	1,581.13	721.40	250.27
168	5/31/48	5/31/50	1,110.00	1,399.86	697.48	407.62
245	12/31/47	5/31/50	1,315.00	1,585.68	959.33	688.65
463	3/31/48	5/31/50	1,110.00	1,600.79	864.76	373.97
490	10/31/48	5/31/50	1,275.00	1,733.19	685.27	227.08
689	7/31/48	5/31/50	1,110.00	1,566.21	715.15	258.94
706	8/31/48	5/31/50	1,160.00	1,765.16	771.88	166.72
741	10/31/48	5/31/50	1,280.00	1,917.05	754.46	117.41
909	10/31/48	5/31/50	1,275.00	1,741.90	687.89	220.99
930	6/30/48	5/31/50	1,200.00	1,359.94	650.81	490.87
108	3/31/49	6/30/50	1,400.00	1,793.50	560.40	166.90
104	3/31/49	6/30/50	1,500.00	1,867.30	583.50	216.20
112	4/30/49	6/30/50	1,525.00	1,871.54	543.38	196.84
131	4/30/49	6/30/50	1,500.00	1,510.40	440.58	430.18
144	6/30/49	6/30/50	1,600.00	1,806.30	445.36	239.06
117	4/30/49	6/30/50	1,520.00	1,639.34	475.74	356.40
103	1/31/49	6/30/50	1,325.00	2,009.46	711.62	27.16
018	11/30/48	6/30/50	1,325.00	2,072.00	816.64	69.64
122	5/30/49	6/30/50	1,425.00	1,436.65	389.09	377.44
118	4/30/49	6/30/50	1,500.00	1,639.34	475.74	336.40

Schedule of long term capital gains, 1950—Continued

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
132	5/30/49	6/30/50	$1,425.00	$1,510.40	$409.11	$323.71
158	6/30/49	6/30/50	1,500.00	1,684.43	419.94	235.51
145	6/30/49	6/30/50	1,600.00	1,806.31	445.36	239.05
184	8/31/49	6/30/50	1,575.00	1,627.66	336.64	283.98
113	4/30/49	6/30/50	1,525.00	1,859.78	541.32	206.54
100	3/31/49	6/30/50	1,450.00	1,879.30	587.25	157.95
137	6/30/49	6/30/50	1,450.00	1,685.14	421.32	186.18
160	6/30/49	6/30/50	1,450.00	1,684.43	419.94	185.51
143 176	5/31/49	6/30/50	1,450.00	1,744.14	469.99	175.85
190	8/31/49	6/30/50	1,450.00	1,628.51	335.17	156.66
200	8/31/49	6/30/50	1,425.00	1,613.69	336.20	147.51
106	3/31/49	7/31/50	1,500.00	2,083.79	693.19	109.40
114	5/31/49	7/31/50	1,450.00	1,870.14	544.38	124.24
115	5/31/49	7/31/50	1,500.00	1,861.69	541.84	180.15
120	5/31/49	7/31/50	1,500.00	1,508.22	430.85	422.63
121	5/31/49	7/31/50	1,400.00	1,436.65	419.02	382.37
124	5/31/49	7/31/50	1,400.00	1,436.65	419.02	382.37
127	5/31/49	7/31/50	1,400.00	1,453.65	419.50	365.85
128	5/31/49	7/31/50	1,400.00	1,512.64	438.82	326.18
[illegible]	4/30/49	7/31/50	1,500.00	1,698.69	528.43	329.74
136	6/30/49	7/31/50	1,400.00	1,572.86	409.44	236.58
141	5/31/49	7/31/50	1,400.00	1,782.69	518.76	136.07
142	5/31/49	7/31/50	1,400.00	1,734.99	503.64	168.65
148	6/30/49	7/31/50	1,425.00	1,758.94	474.91	140.97
150	6/30/49	7/31/50	1,425.00	1,758.94	474.91	140.97
153	6/30/49	7/31/50	1,500.00	1,758.94	474.91	215.97
161	7/31/49	7/31/50	1,500.00	1,684.43	421.20	236.77
171	7/31/49	7/31/50	1,500.00	1,683.69	419.61	235.97
175	5/31/49	7/31/50	1,400.00	1,743.44	506.16	162.72
191	8/31/49	7/31/50	1,475.00	1,441.16	326.88	360.72
194	8/31/49	7/31/50	1,500.00	1,581.51	358.50	276.99
198	8/31/49	7/31/50	1,525.00	1,683.69	385.88	227.19
202	8/31/49	7/31/50	1,500.00	1,685.32	382.29	196.97
207	11/30/49	7/31/50	1,500.00	1,495.83	244.45	248.62
208	11/30/49	7/31/50	1,500.00	1,488.02	241.63	253.61
116	4/30/49	8/31/50	1,620.00	1,639.34	544.18	524.84
135	5/30/49	8/31/50	1,500.00	1,496.85	467.70	470.85
162	7/31/49	8/31/50	1,620.00	1,684.43	456.30	391.87
170	7/31/49	8/31/50	1,675.00	1,692.66	467.06	439.40
201	8/31/49	8/31/50	1,600.00	1,641.48	409.17	367.69
211	11/30/49	8/31/50	1,600.00	1,547.02	289.38	342.36
107	3/31/49	9/30/50	1,550.00	1,825.50	684.54	409.04
149	6/30/49	9/30/50	1,435.00	1,785.94	548.25	224.31
154	6/30/49	9/30/50	1,435.00	1,758.94	548.25	224.31
179	7/31/49	9/30/50	1,600.00	1,627.65	470.96	443.31
182	8/31/49	9/30/50	1,500.00	1,580.65	425.68	345.03
183	8/31/49	9/30/50	1,600.00	1,627.66	438.64	410.98
192	8/31/49	9/30/50	1,550.00	1,442.02	389.40	497.38
205	11/30/49	9/30/50	1,348.50	1,486.89	303.80	165.41
214	12/31/49	9/30/50	1,600.00	1,470.83	202.50	331.67
220	12/31/49	9/30/50	1,450.00	1,338.98	201.39	312.41
226	12/31/49	9/30/50	1,600.00	1,661.72	302.51	240.79
867	8/31/48	9/30/50	1,100.00	1,440.87	749.57	408.70
164	7/31/49	10/31/50	1,600.00	1,683.68	524.91	441.23
147	7/31/49	11/30/50	991.87	1,484.51	492.64	....
151	6/30/49	11/30/50	1,500.00	1,758.94	621.59	362.65
173	7/31/49	11/30/50	1,400.00	1,642.84	547.52	304.68
181	8/31/49	11/30/50	1,400.00	1,484.51	462.77	378.26
206	11/30/49	11/30/50	1,375.00	1,495.83	369.57	248.74

Schedule of long term capital gains, 1950—Continued

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
209	11/30/49	11/30/50	$1,450.00	$1,440.73	$358.50	$367.77
210	11/30/49	11/30/50	1,400.00	1,547.02	386.04	239.02
221	11/30/49	11/30/50	1,500.00	1,720.54	430.20	209.66
225	12/30/49	11/30/50	1,350.00	1,567.43	358.34	140.91
705	8/31/48	11/30/50	1,050.00	1,765.16	992.62	277.46
111	4/30/49	12/31/50	1,450.00	1,699.02	706.96	457.94
143	5/31/49	12/31/50	1,450.00	1,882.88	741.70	308.82
163	7/31/49	12/31/50	1,350.00	1,683.68	595.11	261.43
188	8/31/49	12/31/50	1,300.00	1,442.01	479.64	337.63
195	8/31/49	12/31/50	1,350.00	1,703.12	564.18	211.06
199	8/31/49	12/31/50	1,450.00	1,686.15	559.82	323.67
213	11/30/49	12/31/50	1,450.00	1,470.15	414.06	390.91
253	3/31/50	12/31/50	1,450.00	1,516.61	284.40	217.79
326	5/31/50	12/31/50	1,700.00	1,662.10	241.64	278.54
359	5/31/50	12/31/50	1,486.89	1,738.82	251.93	
379	6/30/50	12/31/50	1,450.00	1,438.20	177.50	139.30
Total			180,328.35	216,844.50	69,994.23	33,478.06

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Respondent's Exhibit C

ROBLEY H. AND JULIA M. EVANS

Schedule of short term capital gains, 1951

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
803	2/18/51	2/28/51	$1,858.97	$1,771.48		$87.49
1001	3/23/51	5/31/51	1,936.96	1,847.53	$76.98	166.41
1002	4/ 2/51	5/31/51	1,619.60	1,544.31	32.17	107.46
122	4/ 2/51	7/31/51	1,650.00	1,506.79	94.17	237.38
144	5/10/51	7/31/51	1,682.00	1,547.08	64.46	199.38
146	5/10/51	8/31/51	1,685.00	1,547.08	96.69	234.61
496	5/10/51	8/31/51	1,474.00	1,547.08	96.69	23.61
Total			11,906.53	11,311.35	461.16	1,056.34

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ROBLEY H. AND JULIA M. EVANS

Schedule of long term capital gains, 1951

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
156	5/21/49	1/31/51	$1,275.00	$1,436.65	$598.60	$436.95
218	12/12/49	1/31/51	1,375.00	1,529.41	411.92	257.51
224	1/28/49	1/31/51	1,350.00	1,615.58	438.63	173.05
261	3/22/50	1/31/51	1,600.00	1,607.71	333.62	325.91
367	6/ 8/50	1/31/51	1,600.00	1,408.73	207.65	398.92
223	12/28/49	2/28/51	1,400.00	1,615.58	472.50	256.92
146	4/22/49	3/31/51	1,450.00	1,483.66	614.96	581.30
222	12/28/49	3/31/51	1,400.00	1,624.33	506.91	282.58
227	12/28/49	3/31/51	1,475.00	1,636.22	510.37	349.15
268	4/18/50	3/[illegible]51	1,680.00	1,606.66	366.83	440.17
348	5/19/50	3/31/51	1,475.00	1,388.83	287.84	374.01

Schedule of long term capital gains, 1951—Continued

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
378	6/16/50	3/31/51	$1,475.00	$1,408.73	$263.09	$329.36
197	10/10/49	4/30/51	1,485.00	1,490.01	551.97	546.96
203	10/10/49	4/30/51	1,400.00	1,412.72	527.94	515.22
217	12/12/49	4/30/51	1,600.00	1,545.62	513.18	567.56
228	1/31/50	4/30/51	1,490.00	1,613.48	504.30	380.82
229	3/ 3/50	4/30/51	1,325.00	1,564.15	423.54	184.39
276	4/25/50	4/30/51	1,600.00	1,582.86	394.44	411.58
437	8/21/50	4/30/51	1,575.00	1,503.21	250.56	322.35
441	8/21/50	4/30/51	1,830.00	1,794.00	298.96	334.96
165	7/ 1/49	5/31/51	1,225.00	1,683.69	770.61	311.92
186	8/ 2/49	5/31/51	1,200.00	1,483.12	643.62	360.50
332	6/12/50	5/31/51	1,430.00	1,378.55	315.16	366.61
338	6/28/50	5/31/51	1,430.00	1,421.43	324.48	333.05
339	6/28/50	5/31/51	1,082.25	1,433.31	321.06	
386	5/15/50	5/31/51	1,220.00	1,421.01	264.76	63.75
212	8/ 2/49	6/30/51	1,250.00	1,680.65	722.68	292.03
232	3/13/50	6/30/51	1,300.00	1,423.00	443.92	320.92
234	3/22/50	6/30/51	1,300.00	1,423.00	443.92	320.92
243	4/13/50	6/30/51	1,300.00	1,376.85	401.52	324.67
255	3/ 3/50	6/30/51	1,300.00	1,562.56	487.12	224.56
259	3/ 3/50	6/30/51	1,300.00	1,543.25	473.54	230.29
260	3/ 3/50	6/30/51	1,300.00	1,560.15	486.42	226.27
290	6/ 5/50	6/30/51	1,300.00	1,703.33	425.76	22.43
312	5/18/50	6/30/51	1,300.00	1,364.61	368.09	303.48
313	5/18/50	6/30/51	1,300.00	1,382.31	373.55	291.24
319	5/18/50	6/30/51	1,300.00	1,423.00	384.60	261.60
351	5/10/50	6/30/51	1,300.00	1,344.61	364.00	319.39
185	8/ 2/49	7/31/50	1,100.00	1,484.51	708.59	324.08
204	11/ 4/49	7/31/50	1,050.00	1,486.87	614.30	177.43
230	3/ 8/50	7/31/50	1,350.00	1,376.85	458.88	432.03
231	3/13/50	7/31/50	1,350.00	1,423.00	473.58	400.58
233	3/13/50	7/31/50	1,300.00	1,424.15	474.03	349.88
249	4/25/50	7/31/50	1,350.00	1,336.15	417.45	431.30
265	4/18/50	7/31/50	1,450.00	1,606.66	500.79	344.13
277	5/ 9/50	7/31/50	1,350.00	1,536.73	447.70	260.97
282	5/ 9/50	7/31/51	1,350.00	1,570.49	456.93	236.44
289	5/10/50	7/31/51	1,375.00	1,570.47	456.93	261.46
291	6/12/50	7/31/51	1,350.00	1,560.87	422.31	211.44
292	6/12/50	7/31/51	1,475.00	1,560.86	422.31	336.45
295	5/18/50	7/31/51	1,375.00	1,711.79	498.23	161.44
296	5/18/50	7/31/51	1,400.00	1,711.79	498.23	186.44
297	5/18/50	7/31/51	1,350.00	1,711.79	498.23	136.44
303	3/22/50	7/31/51	1,325.00	1,596.99	531.23	259.24
304	3/22/50	7/31/51	1,400.00	1,712.59	569.75	257.16
316	5/18/50	7/31/51	1,350.00	1,382.30	396.64	364.34
328	6/12/50	7/31/51	1,450.00	1,421.01	383.84	412.83
146 329	6/12/50	7/31/51	1,300.00	1,378.54	372.64	294.10
346	5/10/50	7/31/51	1,375.00	1,425.08	414.26	364.18
357	5/18/50	7/31/51	1,375.00	1,438.20	416.58	353.38
361	5/25/50	7/31/51	1,300.00	1,401.95	406.08	304.13
370	6/12/50	7/31/51	1,400.00	1,438.20	387.50	349.30
410	9/11/50	7/31/51	1,325.00	1,332.38	277.60	270.22
674	10/31/48	7/31/51	550.00	1,529.50	1,051.71	72.11
235	3/22/50	8/31/51	1,400.00	1,425.28	503.31	478.03
240	4/13/50	8/31/51	1,400.00	1,376.85	458.88	482.03
241	4/13/50	8/31/51	1,400.00	1,423.00	473.58	450.58
246	4/17/50	8/31/51	1,365.00	1,423.00	473.58	415.58
262	3/22/50	8/31/51	1,365.00	1,606.65	567.94	326.29
269	4/18/50	8/31/51	1,400.00	1,616.56	537.75	321.19

Schedule of long term capital gains, 1951—Continued

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
271	4/25/50	8/31/51	$1,470.00	$1,606.72	$534.28	$397.56
272	4/25/50	8/31/51	1,400.00	1,606.72	534.28	327.56
273	4/25/50	8/31/51	1,400.00	1,605.35	533.98	328.63
274	4/25/50	8/31/51	1,400.00	1,614.27	537.00	322.73
286	5/10/50	8/31/51	1,470.00	1,570.47	489.68	389.21
290	6/5/50	8/31/51	1,365.00	1,578.6[illegible]	480.32	247.24
320	5/18/50	8/31/51	1,425.00	1,382.[illegible]	430.45	473.15
321	5/18/50	8/31/51	1,400.00	1,423.00	443.92	420.92
322	5/25/50	8/31/51	1,365.00	1,421.02	442.60	386.58
343	6/28/50	8/31/51	1,365.00	1,378.53	400.64	387.11
347	5/10/50	8/31/51	1,375.00	1,418.89	441.57	397.68
350	5/10/50	8/31/51	1,375.00	1,390.16	427.26	412.10
354	5/10/50	8/31/51	1,375.00	1,380.26	431.25	425.99
356	5/10/50	8/31/51	1,400.00	1,425.08	443.99	418.91
368	6/8/50	8/31/51	1,375.00	1,438.20	417.50	354.30
373	6/15/50	[illegible]/31/51	1,375.00	1,408.73	410.06	376.33
423	5/16/49	9/30/51	1,200.00	1,512.64	880.94	568.30
157	5/23/50	9/30/51	1,050.00	1,512.63	880.94	418.31
263	4/18/50	9/30/51	1,500.00	1,743.87	615.90	372.12
281	5/9/50	9/30/51	1,425.00	[illegible],582.89	526.44	368.55
294	5/18/50	9/30/51	1,425.00	1,711.79	569.63	282.84
298	5/18/50	9/30/51	1,42[illegible].00	1,711.80	569.63	282.83
317	5/18/50	9/30/51	1,400.00	1,382.30	459.28	476.98
334	6/22/50	9/30/51	1,430.00	1,403.32	438.26	464.94
336	6/28/50	9/30/51	1,400.00	1,421.42	443.20	421.78
337	6/29/50	9/30/51	1,475.00	1,415.01	430.20	490.19
349	5/10/50	9/30/51	1,375.00	1,380.26	460.13	[illegible]1.87
352	5/10/50	9/30/51	1,375.00	1,401.94	464.77	437.83
353	5/10/50	9/30/51	1,[illegible]75.00	1,388.83	461.72	447.89
360	5/25/50	9/30/51	1,375.00	1,401.95	464.64	437.69
363	5/26/50	9/30/51	1,375.00	1,401.95	464.64	437.69
364	5/26/50	9/30/51	1,375.00	1,380.26	460.00	454.74
366	6/8/50	9/30/51	1,400.00	1,408.73	447.89	439.16
380	6/13/50	9/30/51	1,425.00	1,438.19	447.50	434.31
381	6/16/50	9/30/51	1,380.00	1,438.19	447.50	389.31
382	5/26/50	9/30/51	1,[illegible]25.00	1,380.26	460.00	504.74
383	5/26/50	9/30/51	1,375.00	1,425.08	473.72	423.64
428	9/25/50	9/30/51	1,400.00	1,560.56	389.75	229.19
436	8/21/50	9/30/51	1,425.00	1,503.21	407.16	328.95
248	4/17/50	10/31/51	1,375.00	1,382.30	516.94	509.64
267	4/18/50	10/31/51	1,425.00	1,560.51	584.60	449.09
285	5/10/50	10/31/51	1,400.00	1,582.87	559.44	376.57
300	3/22/50	10/31/51	1,300.00	1,589.34	628.10	338.76
309	8/23/50	10/31/51	1,400.00	1,561.51	453.49	291.98
315	5/18/50	10/31/51	1,400.00	1,382.30	488.79	506.49
147. 318	5/18/50	10/31/51	1,400.00	1,382.30	488.79	506.49
333	6/22/50	10/31/51	1,425.00	1,421.01	473.28	477.27
362	5/26/50	10/31/51	1,325.00	1,401.95	493.92	416.97
371	6/12/50	10/31/51	1,523.12	1,438.20	477.50	562.42
375	6/16/50	10/31/51	1,425.00	1,380.26	460.00	504.74
388	7/31/50	10/31/51	1,400.00	1,421.43	444.20	422.77
391	7/31/50	10/31/51	1,425.00	1,421.00	443.20	447.20
392	7/31/50	10/31/51	1,425.00	1,421.00	443.20	447.20
395	8/11/50	10/31/51	1,425.00	1,421.05	413.70	417.65
407	8/15/50	10/31/51	1,425.00	1,374.85	400.96	451.11
413	10/21/50	10/31/51	1,400.00	1,374.85	343.68	368.83
414	11/10/50	10/31/51	1,350.00	1,263.00	289.52	376.52
431	8/21/50	10/31/51	1,450.00	1,503.21	438.48	385.27

Schedule of long term capital gains, 1951—Continued

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
446	9/22/50	10/31/51	$1,400.00	$1,698.00	$460.20	$162.20
242	4/13/50	11/31/51	1,350.00	1,426.08	563.64	487.56
280	5/ 9/50	11/31/51	1,400.00	1,570.46	587.93	417.47
323	5/26/50	11/31/51	1,495.00	1,421.00	531.60	605.60
365	5/28/50	11/31/51	1,435.00	1,468.73	536.70	502.97
389	7/31/50	11/31/51	1,350.00	1,378.96	459.16	430.20
432	8/21/50	11/31/51	1,375.00	1,503.21	469.80	341.59
434	8/21/50	11/31/51	1,400.00	1,503.21	469.80	366.59
444	9/22/50	11/31/51	1,400.00	1,751.63	510.86	159.23
105	4/30/50	12/31/51	1,562.77	1,869.75	306.98	
126	4/ 2/51	12/31/51	1,286.95	1,544.31	257.36	
335	6/28/50	12/31/51	1,406.00	1,421.42	532.24	516.82
Total long term			193,150.09	208,681.65	65,634.75	50,103.19

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Respondent's Exhibit D

Robley H. and Julia M. Evans

Schedule of long term capital gains, 1952

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
216	12/ 2/49	1/31/52	$975.00	$1,487.01	$774.50	$262.46
236	3/22/50	1/31/52	1,300.00	1,423.01	650.96	527.95
237	3/22/50	1/31/52	1,300.00	1,423.01	651.54	528.53
238	3/22/50	1/31/52	1,263.00	1,424.15	652.17	491.02
239	3/22/50	1/31/52	1,325.00	1,376.85	630.96	579.11
244	4/13/50	1/31/52	1,250.00	1,423.00	621.28	448.28
247	4/13/50	1/31/52	1,223.00	1,382.30	603.43	444.13
256	4/25/50	1/31/52	1,238.00	1,382.30	603.43	459.13
254	3/ 3/50	1/31/52	1,375.00	1,555.54	713.02	532.48
257	3/ 3/50	1/31/52	1,238.00	1,600.01	732.73	370.72
252	8/23/50	1/31/52	1,325.00	1,546.38	546.87	325.49
266	4/18/50	1/31/52	1,253.00	1,604.75	700.93	349.18
270	4/18/50	1/31/52	1,133.00	1,545.66	675.27	262.61
275	4/25/50	1/31/52	1,325.00	1,578.07	705.30	452.23
278	5/ 9/50	1/31/52	1,300.00	1,570.46	653.47	383.01
279	5/ 9/50	1/31/52	1,250.00	1,582.86	658.44	325.58
284	5/ 9/50	1/31/52	1,350.00	1,545.66	643.23	447.57
287	5/ 9/50	1/31/52	1,300.00	1,570.47	653.43	382.96
288	5/ 9/50	1/31/52	1,263.00	1,570.47	653.43	345.96
293	6/27/50	1/31/52	1,395.00	1,593.16	621.17	423.01
306	5/22/50	1/31/52	1,163.00	1,643.80	751.44	270.64
310	8/23/50	1/31/52	1,350.00	1,548.05	547.15	349.10
314	5/18/50	1/31/52	1,325.00	1,382.32	574.60	517.28
325	6/ 5/50	1/31/52	1,258.00	1,403.32	555.46	410.14
327	6/12/50	1/31/52	1,169.00	1,292.34	510.81	387.47
330	6/12/50	1/31/52	1,275.00	1,421.02	562.64	416.62
331	6/12/50	1/31/52	1,300.00	1,332.38	527.44	495.06
340	6/28/50	1/31/52	1,300.00	1,421.42	561.92	440.50
342	6/28/50	1/31/52	1,238.00	1,403.31	555.46	390.15
372	6/12/50	1/31/52	1,550.00	1,438.20	567.50	679.30
374	6/12/50	1/31/52	1,200.00	1,438.20	567.50	329.30
385	6/28/50	1/31/52	1,228.00	1,378.96	544.44	393.48
390	7/31/50	1/31/52	1,275.00	1,378.53	515.68	412.15

Schedule of long term capital gains, 1952—Continued

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
397	8/11/50	1/31/52	$1,450.00	$1,421.00	$502.56	$531.56
399	8/15/50	1/31/52	1,325.00	1,421.01	501.88	405.87
402	8/15/50	1/31/52	1,325.00	1,421.01	501.88	405.87
405	8/15/50	1/31/52	1,248.00	1,374.85	486.88	360.03
406	9/11/50	1/31/52	1,225.00	1,374.85	486.88	397.03
149 426	9/11/50	1/31/52	1,[illegible]5.00	1,507.71	531.82	309.11
429	9/25/50	1/31/52	1,300.00	1,568.17	522.60	254.43
430	8/21/50	1/31/52	1,300.00	1,503.21	532.44	329.23
433	8/21/50	1/31/52	1,300.00	1,503.21	532.44	329.23
435	4/21/50	1/31/52	1,275.00	1,503.21	532.44	304.23
439	8/21/50	1/31/52	1,400.00	1,503.21	532.44	429.23
440	8/21/50	1/31/52	1,275.00	1,503.21	532.44	304.23
442	11/10/50	1/31/52	1,375.00	1,605.19	494.84	264.65
443	9/22/50	1/31/52	1,275.00	1,659.13	553.12	168.99
451	9/25/50	1/31/52	1,250.00	1,698.00	566.40	118.40
487	3/23/51	1/31/52	1,730.00	1,897.25	387.38	220.13
478	3/1/51 (Wreck)	1/31/52	1,140.97	1,440.97	300.00	
121	4/2/51	2/29/52	1,600.00	1,506.79	313.90	407.11
125	4/2/51 (Wreck)	2/29/52	1,192.89	1,506.79	313.90	
129	4/2/51	2/29/52	1,600.00	1,544.31	321.70	377.39
135	4/2/51	2/29/52	1,600.00	1,544.31	321.70	377.39
219	12/2/49	2/29/52	975.00	1,483.95	803.92	2[illegible]7
305	3/22/50	2/29/52	1,275.00	1,596.98	764.33	442.35
321	5/7/50	2/29/52	1,250.00	1,374.85	573.60	448.75
341	6/28/50	2/29/52	1,275.00	1,421.43	591.60	445.17
345	6/28/50	2/29/52	1,275.00	1,378.96	573.20	469.24
355	5/10/50	2/29/52	1,325.00	1,408.73	615.09	531.36
376	6/16/50	2/29/52	1,225.00	1,436.20	597.50	386.30
387	6/28/50	2/29/52	1,275.00	1,378.54	572.54	469.00
393	8/4/50	2/29/52	1,250.00	1,423.81	519.99	346.18
400	8/15/50	2/29/52	1,275.00	1,421.01	532.18	386.17
401	8/15/50	2/29/52	1,325.00	1,421.01	531.52	435.51
416	11/10/50	2/29/52	1,350.00	1,423.38	438.98	365.60
418	11/10/50	2/29/52	1,250.00	1,334.88	417.00	332.12
438	8/21/50	2/29/52	1,250.00	1,503.21	563.76	310.55
448	11/10/50	2/29/52	1,325.00	1,614.44	527.68	238.24
452	3/1/51	2/29/52	1,500.00	1,390.22	318.56	428.34
485	3/23/51	2/29/52	1,700.00	1,897.25	427.11	229.86
495	5/10/51	2/29/52	1,625.00	1,532.16	287.28	380.12
411	9/25/51	3/31/52	1,400.00	1,374.85	515.52	540.67
412	10/2/51	3/31/52	1,400.00	1,423.81	492.48	468.67
[illegible]5	9/22/51	3/31/52	1,475.00	1,751.63	656.82	380.19
101	5/11/51	5/31/52	1,550.00	1,723.49	431.04	357.55
107	4/30/51	5/31/52	1,550.00	1,897.17	504.46	157.29
131	4/2/51	5/31/52	1,500.00	1,544.31	418.21	373.90
147	5/10/51	5/31/52	1,500.00	1,494.64	373.68	379.04
148	5/10/51	5/31/52	1,550.00	1,532.16	383.04	400.88
149	5/10/51	5/31/52	1,550.00	1,547.08	386.76	389.68
344	6/28/50	5/31/52	1,250.00	1,378.96	659.48	530.52
377	6/16/50	5/31/52	1,250.00	1,438.20	687.50	499.30
419	11/10/50	5/31/52	1,250.00	1,334.88	500.40	415.52
427	11/10/50	5/31/52	1,250.00	1,532.82	595.78	312.96
447	9/22/50	5/31/52	1,200.00	1,698.00	708.00	210.00
449	9/22/50	5/31/52	1,275.00	1,705.32	704.38	274.06
150 453	3/1/51	5/31/52	1,500.00	1,390.22	405.44	515.22
454	3/1/51	5/31/52	1,475.00	1,390.22	405.44	490.22
460	3/1/51	5/31/52	1,475.00	1,406.13	409.78	479.65

Schedule of long term capital gains, 1952—Continued

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
469	3/ 1/51	5/31/52	$1,475.00	$1,426.06	$415.94	$464.88
471	3/ [illegible]1	5/31/52	1,500.00	1,426.06	415.94	489.88
473	3/ 1/51	5/31/52	1,475.00	1,426.06	415.94	464.88
497	5/10/51	5/31/52	1,600.00	1,494.64	373.68	[illegible]9.04
103	5/11/51	6/30/52	1,600.00	1,752.78	474.76	321.98
130	4/ 2/51	6/30/52	1,500.00	1,506.79	439.46	432.67
124	4/ 2/51	6/30/52	1,450.00	1,506.79	439.46	382.67
134	4/ 2/51	6/30/52	1,550.00	1,544.31	450.38	456.07
138	4/ 2/51	6/30/52	1,550.00	1,544.31	450.38	456.07
139	4/ 2/51	6/30/52	1,575.00	1,544.31	450.38	481.07
140	4/ 2/51	6/30/52	1,500.00	1,544.31	450.38	406.07
251	6/27/50	6/30/52	1,250.00	1,606.69	802.94	446.25
396	8/11/50	6/30/52	1,275.00	1,421.00	650.06	504.06
398	8/11/50	6/30/52	1,250.00	1,421.01	650.08	479.07
[illegible]	8/15/50	6/30/52	1,250.00	1,421.01	650.08	479.07
417	11/10/50	6/30/52	1,225.00	1,427.73	559.92	357.19
450	3/ 1/51	6/30/52	1,350.00	1,390.22	434.40	394.18
456	3/ 1/51	6/30/52	1,450.00	1,390.22	434.40	464.18
470	3/ 1/51	6/30/52	1,500.00	1,405.13	439.05	533.92
461	3/ 1/51	6/30/52	1,475.00	1,426.06	445.65	494.59
463	3/ 1/51	6/30/52	1,350.00	1,426.06	445.65	369.59
466	3/ 1/51	6/30/52	1,450.00	1,426.06	445.65	469.59
474	3/ 1/51	6/30/52	1,400.00	1,446.94	452.10	405.16
479	3/ 1/51	6/30/52	1,450.00	1,440.97	450.00	459.03
480	3/ 1/51	6/30/52	1,450.00	1,440.97	450.00	459.03
481	3/23/51	6/30/52	1,675.00	1,897.25	586.03	363.78
489	3/23/51	6/30/52	1,700.00	1,904.33	580.57	376.24
226	4/29/52 (wreck)	7/31/52	1,727.01	1,842.12	[illegible]15.11	....
311	9/11/50	7/31/52	1,300.00	1,511.81	692.13	480.32
394	8/ 4/50	7/31/52	1,250.00	1,421.00	650.28	509.28
477	3/ 1/51	7/31/52	1,495.00	1,440.97	480.00	534.03
415	11/10/51	8/31/52	1,250.00	1,373.00	601.02	478.02
482	3/23/51	8/31/52	1,650.00	1,920.57	673.47	402.90
486	8/23/51	8/31/52	1,650.00	1,896.49	665.31	418.82
490	3/23/41	8/31/52	1,650.00	1,904.33	662.18	407.85
115	3/28/51	9/30/52	1,525.00	1,544.31	579.06	559.75
117	3/28/51	9/30/52	1,550.00	1,544.31	579.06	584.75
119	3/28/51	9/30/52	1,525.00	1,544.31	579.06	559.75
128	4/ 2/51	9/30/52	1,525.00	1,544.31	546.89	527.58
141	4/ 2/51	9/30/32	1,550.00	1,544.31	546.89	552.58
472	3/ 1/51	9/30/52	1,485.00	1,426.06	534.78	593.72
494	5/10/51	9/30/52	1,525.00	1,494.64	498.24	528.60
498	5/10/51	9/30/52	1,525.00	1,494.64	498.24	528.60
500	5/10/51	9/30/52	1,525.00	1,547.08	515.68	493.60
151 108	3/28/51	10/31/52	1,500.00	1,506.79	596.41	589.62
109	3/28/51	10/31/52	1,500.00	1,506.79	596.41	589.62
110	3/28/51	10/31/52	1,500.00	1,506.79	596.41	589.62
112	3/28/51	10/31/52	1,475.00	1,544.31	611.23	541.92
113	3/28/51	10/31/52	1,500.00	1,544.31	611.23	566.92
114	3/28/51	10/31/52	1,500.00	1,544.31	611.23	566.92
130	4/ 2/51	10/31/52	1,500.00	1,544.31	579.06	534.75
132	4/ 2/51	10/31/52	1,500.00	1,544.31	579.06	534.75
142	4/ 2/51	10/31/52	1,500.00	1,544.31	579.06	534.75
143	5/10/51	10/31/52	1,475.00	1,547.08	547.91	475.83
145	5/10/51	10/31/52	1,475.00	1,547.08	547.91	475.83
256	3/ 3/50	10/31/52	1,250.00	1,505.37	9[illegible]4.21	718.84
384	6/28/50	10/31/52	1,250.00	1,378.95	803.28	674.33
403	9/15/53	10/31/52	1,250.00	1,421.01	708.64	597.63

***Schedule of long term capital gains, 1952*—Continued**

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
455	3/ 1/51	10/31/52	$1,450.00	$1,390.22	$550.24	$610.02
470	3/ 1/51	10/31/52	1,450.00	1,426.06	564.49	588.43
475	3/ 1/51	10/31/52	1,450.00	1,426.06	564.49	588.43
483	3/23/51	10/31/52	1,600.00	1,897.43	743.10	445.67
492	5/ 1/51	10/31/52	1,575.00	1,555.50	548.05	567.55
493	5/10/51	10/31/52	1,500.00	1,547.08	547.91	500.83
133	4/ 2/51	11/30/52	1,475.00	1,544.31	611.23	541.92
136	4/ 2/51	11/30/52	965.25	1,544.31	611.23	32.17
175	12/28/51	11/30/52	1,600.00	1,960.16	447.36	87.20
179	12/28/51	11/30/52	1,600.00	1,960.16	447.36	87.20
274	6/13/52	12/31/52	1,617.57	1,846.75	229.18	----------
285	6/30/52	12/31/52	1,616.59	1,846.47	229.88	----------
102	5/11/51	12/31/52	1,400.00	1,759.94	696.54	336.60
106	4/30/51	12/31/52	1,450.00	1,905.67	784.16	328.49
116	3/28/51	12/31/52	1,400.00	1,544.31	675.57	531.26
118	3/28/51	12/31/52	1,400.00	1,544.31	675.57	531.26
123	9/15/51	12/31/52	1,395.00	1,602.77	500.85	293.08
137	4/ 2/51	12/31/52	1,300.00	1,544.31	643.40	399.09
164	9/20/51	12/31/52	1,400.00	1,684.69	526.35	241.66
170	10/24/51	12/31/52	1,400.00	1,684.69	491.40	206.71
193	12/ 6/51	12/31/52	1,400.00	1,772.59	441.64	69.05
195	12/ 6/51	12/31/52	1,400.00	1,786.75	444.02	57.27
200	12/26/51	12/31/52	1,400.00	1,745.69	433.71	88.02
215	3/20/52	12/31/52	2,200.00	1,885.03	353.43	668.40
457	3/ 1/51	12/31/52	1,250.00	1,390.22	608.16	467.94
458	3/ 1/51	12/31/52	1,250.00	1,405.13	614.67	459.54
462	3/ 1/51	12/31/52	1,300.00	1,426.06	623.91	497.85
464	3/ 1/51	12/31/52	1,300.00	1,426.06	623.91	497.85
465	3/ 1/51	12/31/52	1,250.00	1,426.06	623.91	447.85
467	3/ 1/51	12/31/52	1,250.00	1,426.06	623.91	447.85
468	3/ 1/51	12/31/52	1,250.00	1,426.06	623.91	447.85
476	3/ 1/51	12/31/52	1,300.00	1,426.06	623.91	497.85
484	7/ 9/51	12/31/52	1,400.00	1,585.13	559.06	374.83
490	5/10/52	12/31/52	1,300.00	1,404.64	591.66	397.02
Total			253,210.28	278,395.08	99,733.69	74,588.80

Schedule of short term capital gains, 1952

Car No.	Date pur.	Date sold	Sale price.	Cost.	Déprec.	Gain
278	(Wreck) 6/13/52	9/30/52	$1,516.68	$1,617.78	$101.10	
310	7/17/52	9/30/52	2,273.99	2,372.85	98.86	
312	7/17/52	9/30/52	2,273.99	2,372.85	98.86	
313	7/17/52	9/30/52	2,273.99	2,372.85	98.86	
314	7/17/56	9/30/52	2,273.99	2,372.85	98.86	
315	7/17/52	9/30/52	2,273.99	2,372.85	98.86	
286	8/ 6/52	12/31/52	1,610.85	1,757.29	146.44	
290	10/29/52	12/31/52	1,613.76	1,683.92	70.16	
294	10/29/52	12/31/52	1,645.35	1,716.19	70.84	
296	9/30/52	12/31/52	1,767.65	1,885.49	117.84	
297	10/29/52	12/31/52	1,613.76	1,683.92	70.16	
298	10/29/52	12/31/52	1,645.35	1,716.19	70.84	
418	9/30/52	12/31/52	1,850.73	1,974.09	123.36	
419	9/30/52	12/31/52	1,825.69	1,947.40	121.71	
420	9/30/52	12/31/52	1,825.69	1,947.40	121.71	
426	9/30/52	12/31/52	1,840.20	1,962.90	122.70	
Total			30,125.66	31,756.82	1,631.16	

Respondent's Exhibit E

R. H. Evans and Julia M. Evans

Schedule of short term capital gains, 1953

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
118	4/ 1/53	7/31/53	$1,800.00	$1,775.16	$110.94	$135.78
115	4/ 1/53	7/31/53	1,800.00	1,810.44	113.16	402.72
362	7/15/53	7/31/53	1,785.37	1,785.37	....	....
366	7/15/53	7/31/53	2,150.00	1,896.61	....	253.39
116	4/ 1/53	8/31/53	1,800.00	1,810.44	1[illegible].88	140.44
117	4/ 1/53	8/31/53	1,800.00	1,783.76	148.64	164.88
610-A	7/16/53	8/31/53	2,135.00	1,900.00	39.58	274.58
709-A	6/24/53	8/31/53	1,845.15	1,845.15	76.90	76.90
183	5/18/53	9/30/53	1,800.00	1,793.28	149.44	156.16
199	4/20/53	9/30/53	1,550.00	1,872.17	195.00	127.17
214	5/13/53	9/30/53	1,800.00	1,877.77	156.48	78.71
223	6/ 3/53	9/30/53	1,800.00	1,721.83	107.61	185.78
606	4/ 2/53	6/30/53	1,975.00	2,180.39	227.10	21.71
612	9/15/53	9/30/53	2,150.00	1,945.11	....	204.89
201	6/ 3/53	10/31/53	1,600.00	1,721.83	143.48	21.65
215	5/13/53	10/31/53	1,600.00	1,877.77	195.60	82.17
216	5/18/53	10/31/53	1,585.00	1,877.77	195.60	97.17
218	6/19/53	10/31/53	1,600.00	1,748.69	145.72	2.97
221	5/13/53	10/31/53	1,600.00	1,877.77	195.60	82.17
289	5/28/53	10/31/53	1,618.75	1,877.77	195.60	63.42
348	5/28/53	10/31/53	1,[illegible]0.00	2,032.62	211.70	170.92
375	6/12/53	10/31/53	1,640.75	2,032.62	139.40	222.47
380	6/ 3/53	10/31/53	1,600.00	1,732.20	144.32	12.12
713	7/16/53	10/31/53	1,600.00	1,721.83	107.61	14.22
734	6/24/53	10/31/53	1,650.00	1,798.83	149.88	1.05
757	8/11/53	10/31/53	1,675.00	1,812.64	75.52	62.12
759	8/11/53	10/31/53	1,600.00	1,701.61	70.90	30.71
806	8/27/53	10/31/53	2,000.00	1,938.77	80.78	142.01
610	9/15/53	11/30/53	2,025.00	1,945.11	81.04	160.93
700	6/24/53	11/30/53	1,625.00	1,732.20	180.40	73.20
706	6/24/53	11/30/53	1,600.00	1,649.70	171.85	122.15
735	6/24/53	11/30/53	1,650.00	1,798.83	187.35	38.52
773	8/24/53	11/30/53	1,800.00	1,840.04	113.13	103.09
788	8/11/53	11/30/53	1,625.00	1,607.39	100.47	118.08
861	10/20/53	11/30/53	1,937.00	1,787.45	37.24	186.79
758	8/11/53	12/31/53	1,700.00	1,814.80	151.24	36.44
827	7/22/53	12/31/53	1,575.00	1,736.49	180.85	19.36
Total	....	....	64,747.02	67,632.21	4,761.01	1,876.82

Schedule of long term capital gains, 1953

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
104	4/ 3/51	1/31/53	$1,375.00	$1,897.18	$829.16	$306.98
111	3/28/51	1/31/53	1,300.00	1,506.79	690.58	483.79
114	9/15/51	1/31/53	1,450.00	1,602.77	534.24	381.47
150	7/ 9/51	1/31/53	1,500.00	1,690.25	632.60	442.35
152	7/27/51	1/31/53	1,375.00	1,587.01	595.08	383.07
155	9/20/51	1/31/53	1,375.00	1,674.39	558.08	258.69
162	9/20/51	1/31/53	1,375.00	1,674.39	558.08	258.69
166	9/20/51	1/31/53	1,375.00	1,674.39	558.08	258.69
197	1/ 8/52	1/31/53	1,374.00	1,739.02	427.60	62.58
198	12/26/51	1/31/53	1,300.00	1,714.72	464.36	49.64
201	12/26/51	1/31/53	1,326.00	1,752.47	471.86	45.39
208	3/ 3/52	1/31/53	1,775.00	1,919.[illegible]	400.00	255.20
307	3/22/50	1/31/53	1,000.00	1,598.03	1,131.29	533.26
122	9/15/51	2/28/53	1,350.00	1,602.77	567.63	314.86
151	7/27/51	2/28/53	1,250.00	1,587.01	628.14	291.13
153	9/20/51	2/28/53	1,350.00	1,602.77	567.63	314.86
156	9/20/51	2/28/53	1,350.00	1,674.39	592.96	268.57
159	9/20/51	2/28/53	1,350.00	1,920.80	673.09	102.29
164	9/20/51	2/28/53	1,400.00	1,674.39	592.96	318.57
173	12/26/51	2/28/53	1,350.00	1,800.06	522.43	72.[illegible]
174	12/26/51	2/28/53	1,325.00	1,752.47	508.44	80.97
176	12/26/51	2/28/53	1,350.00	1,756.38	509.69	103.31
181	12/26/51	2/28/53	1,325.00	1,713.46	496.16	107.70
189	1/ 8/52	2/28/53	1,275.00	1,661.85	447.98	61.13
190	12/ 6/51	2/28/53	1,300.00	1,732.12	505.12	73.00
192	12/ 6/51	2/28/53	1,375.00	1,786.75	5[illegible].62	106.87
200	12/26/51	2/28/53	1,275.00	1,705.97	497.56	66.59
202	12/26/51	2/28/53	1,350.00	1,690.35	493.08	152.73
204	12/26/51	2/28/53	1,350.00	1,789.22	519.21	79.99
207	12/26/50	2/28/53	1,350.00	1,789.32	519.21	79.89
212	3/ 3/52	2/28/53	1,775.00	1,926.79	441.32	289.53
221	3/31/52	2/28/53	1,675.00	1,636.49	374.99	413.50
302	4/22/52	2/28/53	1,600.00	1,733.47	359.12	225.65
304	4/22/52	2/28/53	1,700.00	1,753.37	365.30	311.93
409	9/11/50	2/28/53	1,100.00	1,387.27	835.36	548.09
127	9/15/51	3/31/53	1,300.00	1,602.77	601.02	298.25
157	9/20/51	3/31/53	1,325.00	1,674.39	627.84	278.45
165	9/20/51	3/31/53	1,250.00	1,684.69	631.62	196.93
167	9/20/51	3/31/53	1,300.00	1,674.39	627.84	253.45
168	9/20/51	3/31/53	1,450.00	1,674.39	627.84	403.45
171	10/24/51	3/31/53	1,300.00	1,684.69	596.70	212.01
172	12/26/51	3/31/53	1,325.00	1,799.91	559.89	84.98
177	12/26/51	3/31/53	1,425.00	1,961.85	610.56	73.71
155 178	12/26/51	3/31/53	1,250.00	1,798.37	560.46	12.09
180	12/26/51	3/31/53	1,300.00	1,790.84	558.25	67.41
184	12/19/51	3/31/53	1,250.00	1,703.71	538.93	85.22
185	1/ 8/52	3/31/53	1,300.00	1,705.58	496.40	90.82
187	12/19/51	3/31/53	1,350.00	1,654.16	517.05	212.89
188	1/ 8/52	3/31/53	1,250.00	1,652.78	481.00	78.22
191	12/ 6/51	3/31/53	1,300.00	1,774.15	551.48	77.33
196	12/19/51	3/31/53	1,325.00	1,747.89	545.04	122.15
206	12/26/51	3/31/53	1,425.00	[illegible]	609.66	75.63
1004	12/26/51	3/31/53	1,425.00	1,96[illegible].45	615.45	71.00
160	9/20/51	4/30/53	1,2[illegible].00	1,674.39	662.72	238.33
161	9/20/51	4/30/53	1,400.00	1,684.69	666.71	382.02
183	12/19/51	4/30/53	1,200.00	1,648.91	548.98	100.07
186	1/ 8/52	4/30/53	1,200.00	1,648.91	518.85	69.94

Schedule of long term capital gains, 1953—**Continued**

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
190	12/20/51	4/30/53	$11,250.00	$1,705.97	$568.64	$112.67
210	3/ 3/52	4/30/53	1,650.00	1,919.80	520.00	250.20
211	3/ 3/52	4/30/53	1,650.00	1,926.79	521.56	244.77
214	3/20/52	4/30/53	1,650.00	1,885.03	510.51	275.48
216	3/20/52	4/30/53	1,600.00	1,885.03	510.51	225.48
222	3/31/52	4/30/53	1,550.00	1,721.85	466.31	294.46
227	4/25/52	4/30/53	1,550.00	1,842.12	460.44	168.32
262	5/21/52	4/30/53	1,550.00	1,648.65	376.18	277.53
400	7/17/52	4/30/53	1,650.00	1,940.92	363.10	72.18
191	5/ 1/51	4/30/53	1,375.00	1,553.89	745.59	566.70
158	9/20/51	5/31/53	1,275.00	1,872.92	777.85	179.93
213	3/20/52	5/31/53	1,350.00	1,885.03	549.78	14.75
209	3/ 3/52	5/31/53	1,500.00	1,919.80	560.00	140.20
217	4/10/52	5/31/53	1,650.00	1,885.03	510.51	275.48
223	4/25/52	5/31/53	1,500.00	1,842.12	498.81	156.69
224	4/25/52	5/31/53	1,540.00	1,842.12	498.81	196.69
225	4/25/52	5/31/53	1,650.00	1,851.64	501.28	199.64
228	4/26/52	5/31/53	1,535.00	1,839.55	498.03	193.48
229	4/25/52	5/31/53	1,560.00	1,839.55	498.03	208.48
231	4/25/52	5/31/53	1,500.00	1,839.55	498.03	158.48
234	4/22/52	5/31/53	1,450.00	1,727.46	468.00	190.54
236	4/22/52	5/31/53	1,500.00	1,727.46	468.00	240.54
263	5/21/52	5/31/53	1,475.00	1,645.76	416.22	245.46
266	5/21/52	5/31/53	1,525.00	1,635.32	406.68	296.36
275	6/13/52	5/31/53	1,500.00	1,846.73	421.73	74.[illegible]
277	6/30/52	5/31/53	1,575.00	1,882.47	431.42	123.95
303	4/22/52	5/31/53	1,450.00	1,753.37	474.89	171.52
402	7/17/52	5/31/53	1,450.00	1,940.92	403.55	(87.37)
405	7/17/52	5/31/53	1,550.00	1,903.26	395.75	42.49
410	6/30/52	5/31/53	1,400.00	1,863.07	426.15	(36.92)
412	6/30/52	5/31/53	1,450.00	1,824.41	417.35	42.94
169	9/20/51	6/30/53	1,250.00	1,674.39	732.48	308.09
218	3/31/52	6/30/53	1,475.00	1,721.85	538.05	291.20
230	4/25/52	6/30/53	1,500.00	1,839.55	536.34	196.79
237	4/22/52	6/30/53	1,500.00	1,728.85	506.45	277.60
238	4/22/52	6/30/53	1,450.00	1,776.35	518.00	191.65
247	5/ 7/52	6/30/53	1,425.00	1,807.61	488.14	105.53
249	6/30/52	6/30/53	1,500.00	1,862.13	465.60	103.47
252	6/13/52	6/30/53	1,500.00	1,845.02	460.54	115.52
156 253	6/13/52	6/30/53	1,500.00	1,845.02	460.54	115.52
261	5/21/52	6/30/53	1,400.00	1,639.66	342.54	102.88
272	6/12/52	6/30/53	1,450.00	1,860.41	464.38	53.97
300	4/22/52	6/30/53	1,400.00	1,733.47	503.68	170.21
301	4/22/52	6/30/53	1,350.00	1,733.47	503.68	120.21
358	5/25/50	6/30/53	1,400.00	1,751.93	1,349.25	997.32
401	7/17/52	6/30/53	1,550.00	1,940.92	444.00	53.08
406	7/17/52	6/30/53	1,450.00	1,903.26	435.42	(17.84)
414	6/30/52	6/30/53	1,475.00	1,824.40	455.38	105.98
424	8/20/52	6/30/53	1,600.00	1,913.28	398.50	85.22
103	1/31/53	7/31/53	1,800.00	1,854.39	231.78	177.39
105	1/31/53	7/31/53	1,800.00	1,800.50	219.28	218.78
101	1/31/53	7/31/53	1,800.00	1,806.66	225.84	219.18
182	12/19/51	7/31/53	1,150.00	1,695.03	669.09	124.06
219	3/31/52	7/31/53	1,400.00	1,721.85	581.92	260.07
232	4/25/52	7/31/53	1,425.00	1,839.55	574.65	160.10
235	4/22/52	7/31/53	1,400.00	1,727.46	540.00	212.54
240	5/28/52	7/31/53	1,350.00	1,740.79	506.36	115.57
243	5/ 7/52	7/31/53	1,375.00	1,738.71	507.08	143.37
244	5/ 7/52	7/31/53	1,400.00	1,798.67	524.58	125.91

Schedule of long term capital gains, 1953—Continued

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
260	6/13/52	7/31/53	$1,500.00	$1,862.13	$504.27	$142.14
267	5/21/52	7/31/53	1,500.00	1,898.74	553.70	154.96
268	5/21/52	7/31/53	1,462.50	1,898.74	553.70	117.46
276	6/30/52	7/31/53	1,450.00	1,871.05	506.74	85.69
305	10/27/52	7/31/53	1,450.00	1,704.04	319.50	65.46
308	10/27/52	7/31/53	1,400.00	1,693.76	317.52	23.76
31[illegible]	9/17/52	7/31/53	1,400.00	1,773.14	369.40	(3.74)
319-A	9/17/52	7/31/53	1,450.00	1,898.86	395.60	(53.26)
328	11/19/52	7/31/53	1,400.00	1,708.36	284.72	(23.64)
338	11/19/52	7/31/53	1,375.00	1,641.58	273.60	7.02
411	6/30/52	7/31/53	1,475.00	1,866.06	504.46	113.40
421	9/30/52	7/31/53	1,500.00	1,947.40	405.70	(41.70)
416	6/30/52	7/31/53	1,500.00	1,824.40	493.41	169.01
423	8/20/52	7/31/53	1,500.00	1,913.26	438.35	25.09
425	9/ 8/52	7/31/53	1,600.00	2,003.91	417.50	13.59
437	11/21/52	7/31/53	1,500.00	1,769.94	299.92	29.98
438	11/21/52	7/31/53	1,500.00	1,791.08	298.48	7.40
439	11/21/52	7/31/53	1,500.00	1,802.38	300.40	(1.98)
441	11/21/52	7/31/53	1,500.00	1,822.91	303.84	(19.07)
443	11/21/52	7/31/53	1,500.00	1,834.21	305.68	(28.53)
446	11/21/52	7/31/53	1,500.00	1,758.64	293.12	34.48
239	5/28/52	8/31/53	1,325.00	1,684.34	526.56	167.22
241	5/ 7/52	8/31/53	1,300.00	1,778.51	555.75	77.24
242	5/ 7/52	8/[illegible]53	1,375.00	1,769.57	552.90	158.33
246	5/ 6/52	8/31/53	1,300.00	1,798.66	560.80	62.14
271-A	5/21/52	8/31/53	1,450.00	1,888.30	590.10	151.80
273	6/13/52	8/31/53	1,362.50	1,842.13	536.00	56.37
287-A	8/ 6/52	8/31/53	1,425.00	2,007.36	501.84	(80.52)
295	9/30/52	8/31/53	1,350.00	1,757.29	402.71	(4.58)
325	10/27/52	8/31/53	1,325.00	1,589.26	324.85	60.59
327-A	11/19/52	8/31/53	1,425.00	1,743.40	326.88	8.48
331-A	11/19/52	8/31/53	1,425.00	1,803.10	333.03	(45.07)
157 333	11/19/52	8/31/53	1,400.00	1,638.25	302.13	63.88
336	11/19/52	8/31/53	1,400.00	1,732.76	324.90	(7.86)
337	11/19/52	8/31/53	1,350.00	1,641.58	307.80	16.22
429	12/29/52	8/31/53	1,700.00	1,845.74	307.60	161.86
[illegible]36	11/21/52	8/31/53	1,400.00	1,720.87	322.65	1.78
264	5/21/52	8/31/53	1,300.00	1,672.30	521.20	148.84
283	6/30/52	8/31/53	1,350.00	1,842.13	536.00	43.87
460	1/ 9/53	8/31/53	1,800.00	1,833.63	267.40	233.77
470	2/ 2/53	8/31/53	1,800.00	1,824.07	228.00	203.93
153	3/ 2/53	9/30/53	1,800.00	1,902.19	236.87	134.68
245	5/ 2/52	9/30/53	1,175.00	1,840.88	612.30	(53.58)
248	5/ 7/52	9/30/53	1,400.00	1,813.73	603.26	189.53
269	5/21/52	9/30/53	1,450.00	1,888.30	629.44	191.14
270	5/21/52	9/30/53	1,250.00	1,888.30	629.44	(8.86)
279	6/13/53	9/30/53	1,250.00	1,812.91	566.55	3.64
281	6/30/52	9/30/53	1,250.00	1,766.17	551.85	35.68
288	8/ 6/52	9/30/53	1,450.00	2,007.36	543.66	(13.70)
292	9/30/52	9/30/53	1,300.00	1,855.62	463.92	(91.70)
335	11/19/52	9/30/53	1,350.00	1,643.75	342.40	48.65
464	2/ 3/53	9/30/52	1,700.00	1,928.65	277.76	49.11
472	2/ 2/53	9/30/53	1,625.00	1,824.07	266.00	66.93
498	3/23/51	9/30/53	1,150.00	1,[illegible]7.2[illegible]	1,181.98	434.72
112	4/ 1/53	10/31/53	1,425.00	1,698.57	212.34	(61.23)
113	4/ 1/53	10/31/53	1,495.00	1,713.42	214.20	(4.22)
154	3/ 2/53	10/31/53	1,600.00	[illegible].31	275.25	(18.06)
263	4/29/53	10/31/53	1,600.00	1,[illegible].25	233.40	(33.85)
204	4/29/53	10/31/53	1,600.00	1,867.2[illegible]	233.40	(33.85)

Schedule of long term capital gains, 1953—Continued

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec.	Gain
220	3/31/52	10/31/53	$1,075.00	$1,588.99	$631.66	$117.67
233	4/22/52	10/31/53	1,150.00	1,727.46	648.00	70.54
254	5/20/52	10/31/53	1,075.00	1,673.97	592.79	(6.18)
257	5/20/52	10/31/53	1,150.00	1,673.97	592.79	68.82
280	6/30/52	10/31/53	1,264.00	1,800.45	598.92	62.47
292	9/30/52	10/31/53	1,150.00	1,757.29	585.76	(21.53)
293	9/30/52	10/31/53	1,300.00	1,855.62	502.58	(53.04)
318	9/17/52	10/31/53	1,075.00	1,649.74	446.81	(127.93)
339	11/19/52	10/31/53	1,200.00	1,595.09	365.53	(29.56)
413	6/30/52	10/31/53	1,200.00	1,824.40	607.50	(16.90)
435	11/21/52	10/31/53	1,275.00	1,720.87	394.35	(51.52)
449	3/23/53	10/31/53	1,125.00	1,824.04	266.00	(433.04)
454	3/ 2/53	10/31/53	1,550.00	1,807.66	263.62	5.96
466	2/ 3/53	10/31/53	1,550.00	1,807.38	301.20	43.82
468	2/ 3/53	10/31/53	1,550.00	1,807.38	301.20	43.82
473	2/16/53	10/31/53	1,550.00	1,844.27	300.84	6.57
474	2/16/53	10/31/53	1,575.00	1,803.71	296.89	68.18
478	3/ 2/53	10/31/53	1,550.00	1,807.66	263.62	5.96
489	3/ 2/53	10/31/53	1,600.00	1,807.66	263.62	55.96
602	4/ 2/53	10/31/53	1,975.00	2,180.39	272.52	67.13
605	4/ 2/53	10/31/53	1,975.00	2,180.39	272.52	67.13
607	4/ 2/53	10/31/53	1,975.00	2,180.39	272.52	67.13
102	1/31/53	11/30/53	1,423.69	1,792.77	369.08	
106	1/31/53	11/30/53	1,400.00	1,785.36	372.00	(13.36)
109	4/ 1/53	11/30/53	1,600.00	1,713.42	249.90	136.48
158 111	4/ 1/53	11/30/53	1,450.00	1,733.23	252.70	(30.53)
166	4/ 8/53	11/30/53	1,600.00	1,830.41	266.91	36.50
174	4/ 8/53	11/30/53	1,550.00	1,830.41	266.91	(13.50)
179	4/ 8/53	11/30/53	1,600.00	1,830.41	266.91	36.50
192	4/ 8/53	11/30/53	1,575.00	1,830.41	266.91	11.50
200	4/29/53	11/30/53	1,600.00	1,872.17	273.00	.83
278	5/28/53	11/30/53	1,625.00	1,877.77	234.72	(18.05)
291	5/28/53	11/30/53	1,600.00	1,869.71	233.70	(36.01)
347	5/28/53	11/30/53	1,650.00	2,032.62	254.04	(128.58)
453	12/ 3/53	11/30/53	1,525.00	1,944.06	364.50	(54.56)
475	2/16/53	11/30/53	1,550.00	1,844.37	339.42	45.05
483	3/ 2/53	11/30/53	1,575.00	1,807.66	301.28	68.62
167	6/12/53	12/31/53	1,600.00	1,752.21	[illegible]	66.79
258	3/ 3/50	12/31/53	750.00	1,506.61	1,412.29	655.68
304	5/18/53	12/31/53	1,600.00	1,877.77	273.84	(3.93)
323	10/27/52	12/31/53	1,125.00	1,687.70	456.92	(5.78)
361	5/28/52	12/31/53	1,600.00	1,786.91	260.61	73.70
379	6/ 3/53	12/31/53	1,650.00	1,732.20	216.48	134.28
382	6/ 3/53	12/31/53	1,550.00	1,792.00	223.98	(18.02)
465	2/ 3/53	12/31/53	1,575.00	1,807.38	376.50	144.12
469	2/ 3/53	12/31/53	1,550.00	1,807.38	376.50	119.12
482	3/ 2/53	12/31/53	1,575.00	1,807.66	338.94	106.28
492	5/ 7/53	12/31/53	1,700.00	2,119.66	309.12	(110.54)
601	3/24/53	12/31/53	2,400.00	2,578.62	483.48	304.86
603	4/ 2/53	12/31/53	2,000.00	2,180.39	363.36	182.97
813	6/29/53	12/31/53	1,600.00	1,790.23	223.80	33.57
817	6/29/53	12/31/53	1,575.00	1,790.23	223.80	8.57
Total			328,607.69	406,638.81	105,143.13	27,112.01

Respondent's Exhibit F

R. H. Evans and Julia M. Evans

Schedule of short term capital gains, 1954

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec. St. Line method	Deprec. declining bal. method	Gain or loss
100-A	11/24/54	12/ 2/54	$2,600.00	$2,211.84			$388.16
102	12/15/53	1/ 5/54	1,850.00	1,666.50	$54.72		218.22
232-A	5/25/54	11/ 2/54	1,650.00	1,827.82		$380.80	202.98
234-A	6/ 5/54	11/16/54	1,750.00	1,858.58		387.40	278.82
235-A	5/29/54	11/ 2/54	1,650.00	1,845.59		384.50	188.91
240-A	6/15/54	11/ 2/54	1,600.00	1,704.21		355.00	250.79
244-A	6/15/54	11/22/54	1,650.00	1,760.88		366.80	255.92
245-A	6/15/54	11/20/54	1,650.00	1,760.88		366.80	255.92
442-RW	4/ 8/54	6/ 8/54	2,695.00	2,490.39		207.52	412.13
443-RW	4/ 8/54	9/29/54	2,000.00	1,963.32		409.00	445.68
475-A	6/16/54	11/15/54	1,600.00	1,866.00		388.80	122.80
614-RW	2/19/54	3/10/54	2,350.00	1,966.81		77.78	460.97
615-RW	2/10/54	4/ 5/54	2,150.00	1,824.66		152.04	477.38
618-RW	3/ 4/54	3/19/54	2,210.00	1,908.77			301.23
619-RW	3/ 4/54	3/22/54	2,250.00	1,941.85			308.15
620-RW	3/ 4/54	3/16/54	2,250.00	1,941.85			308.15
624-RW	5/22/54	6/16/54	2,191.07	2,037.28			153.79
625-RW	6/15/54	8/30/54	2,020.00	1,845.87		230.76	404.89
628-C	5/29/54	11/ 5/54	2,000.00	2,112.82		440.20	327.38
630-RW	5/11/54	8/26/54	2,125.00	1,942.12		24[illegible]	425.64
631-P	5/19/54	9/14/54	2,175.00	2,106.00		350.00	425.00
632-P	5/19/54	10/ 5/54	2,100.00	2,100.00		437.50	437.50
634-RW	6/21/54	7/27/54	2,200.00	1,870.51		77.94	407.43
717-A	8/11/53	1/ 7/54	1,650.00	1,857.92	193.55		14.37
722-A	7/31/53	1/ 5/54	1,650.00	1,857.92	193.55		14.37
764	7/24/53	1/12/54	1,575.00	1,693.73	176.45		57.72
777-A	8/ 7/53	1/ 6/54	1,675.00	1,857.92	193.55		10.63
792	8/11/53	1/15/54	1,575.00	1,619.34	168.65		124.31
796-A	8/10/53	1/ 6/54	1,650.00	1,774.44	184.85		60.41
808-A	9/ 9/53	2/23/54	1,675.[illegible]	1,989.10	207.20		106.90
876	6/ 3/54	11/ 2/54	1,500.[illegible]	1,615.32		332.84	217.52
889	6/16/54	11/ 2/54	1,600.00	1,866.00		388.80	122.80
937	5/14/54	9/30/54	1,561.22	1,701.58	140.36	Charged to E.U.D.R. Co., total wreck	
943-A	6/29/54	12/20/54	1,625.00	1,696.11		353.30	282.19
946-A	6/24/54	12/10/54	1,625.00	1,640.45		410.16	394.71
947-A	6/24/54	12/ 2/54	1,615.00	1,677.15		419.28	357.13
959	6/30/54	12/14/54	1,500.00	1,493.16		309.56	316.40
960	6/30/54	11/ 2/54	1,500.00	1,491.78		243.86	252.08
972-A	6/11/54	12/10/54	1,625.00	1,716.07		429.00	337.93
986-A	6/14/54	11/ 3/54	1,650.00	1,650.45		343.80	343.35
987-A	6/14/54	10/22/54	1,735.00	1,680.83		277.72	331.89
989	6/14/54	11/ 1/54	1,675.00	1,689.45		348.90	334.45
250	6/21/54	12/17/54	1,384.09	1,495.81	218.12	Chgd. E.U.D.R. Co. stolen	106.40
Total			78,761.38	78,613.06	1,711.00	9,112.82	10,972.12

R. H. EVANS AND JULIA M. EVANS

Schedule of long term capital gains, 1954

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec. St. line method	Deprec. declining bal. method	Gain or loss
100	12/ 8/53	11/ 9/54	$1,375.00	$1,666.50	$381.92	....	$90.42
101	12/ 8/53	6/30/54	1,600.00	1,666.50	208.32	....	141.82
103	12/15/53	9/23/54	1,500.00	1,666.50	312.48	....	145.98
104	12/15/53	9/23/54	1,500.00	1,666.50	312.48	....	145.98
105	12/15/53	9/24/54	1,475.00	1,666.50	347.20	....	155.70
107	1/24/53	4/15/54	1,350.00	1,785.36	558.00	....	122.64
108	4/ 1/53	3/ 3/54	1,367.40	1,698.57	389.29	....	58.12
114	3/19/53	8/ 6/54	1,175.00	1,759.90	586.40	....	2.40
151	2/20/53	7/ 7/54	1,251.00	1,851.55	616.31	....	15.76
152	2/20/53	6/17/54	1,350.00	1,860.43	580.58	....	70.15
155	3/17/53	10/11/54	1,225.00	1,830.39	686.34	....	80.95
156	4/ 8/53	5/17/54	1,300.00	1,712.29	463.71	....	51.42
159	3/24/53	10/19/54	1,225.00	1,830.41	686.34	....	80.93
160	6/ 5/53	12/ 6/54	1,150.00	1,694.18	635.22	....	91.04
161	6/ 5/53	1/25/54	1,575.00	1,694.18	247.03	....	127.85
164	3/23/53	10/11/54	1,150.00	1,705.26	639.54	....	84.28
168	3/30/53	5/17/54	1,400.00	1,830.41	495.69	....	65.28
170	3/30/53	8/11/54	1,300.00	1,830.41	610.08	....	79.67
173	3/30/53	7/ 7/54	1,280.00	1,830.41	571.95	....	21.54
175	4/ 8/53	8/24/54	1,275.00	1,830.41	610.08	....	54.67
176	4/ 4/53	9/10/54	1,250.00	1,830.41	648.21	....	67.80
181	4/ 4/53	6/25/54	1,300.00	1,776.96	518.28	....	41.32
186	5/11/53	8/ 2/54	1,300.00	1,732.20	541.20	....	109.00
188	4/ 4/53	8/10/54	1,175.00	1,776.96	592.32	....	9.64
189	4/ 7/53	10/ 8/54	1,200.00	1,830.41	686.34	....	55.93
190	4/ 4/53	8/16/54	1,250.00	1,830.41	610.08	....	29.67
193	4/ 7/53	9/ 7/54	1,250.00	1,931.27	681.48	....	.21
195	4/ 7/53	7/27/54	1,350.00	1,872.17	585.00	....	62.83
196	4/ 9/53	3/ 2/54	1,500.00	1,830.41	419.43	....	89.02
197	4/29/53	2/ 9/54	1,500.00	1,872.17	390.00	....	17.83
198	6/ 5/53	6/15/54	1,350.00	1,694.18	423.48	....	79.30
202	4/20/53	7/ 7/54	1,345.00	1,867.26	583.50	....	61.24
205	5/12/53	7/12/54	1,425.00	1,731.70	468.91	....	162.21
206	3/17/53	8/11/54	1,150.00	1,787.54	595.84	....	41.70
207-A	3/20/53	9/15/54	1,450.00	2,022.10	716.[illegible]	....	144.45
208	4/24/53	8/ 4/54	1,300.00	1,877.77	[illegible]	....	9.03
210-A	4/24/53	8/ 4/54	1,400.00	2,032.62	[illegible]	....	2.63
212	4/24/53	8/ 3/54	1,325.00	1,877.77	5[illegible]0	....	34.03
217	5/ 7/53	2/20/54	1,500.00	1,877.77	352.08	....	25.69
222	5/12/53	7/29/54	1,300.00	1,721.83	466.31	....	44.48
224	5/26/53	5/17/54	1,425.00	1,721.83	394.57	....	97.74
225	5/26/53	1/ 6/54	1,575.00	1,732.20	252.56	....	95.36
227	6/17/53	6/ 2/54	1,425.00	1,721.83	430.44	....	133.61
237-A	5/11/54	11/19/54	1,650.00	1,759.43	....	$439.80	330.37
251-A	6/16/54	12/19/54	1,625.00	1,866.00	....	466.56	225.56
251	5/ 7/53	5/ 4/54	1,450.00	1,877.77	469.44	....	41.67
161 255	5/12/52	5/11/54	950.00	1,673.97	836.88	....	112.91
259	5/15/52	5/ 4/54	950.00	1,689.94	809.83	....	69.89
260	6/12/52	4/16/54	950.00	1,683.92	771.76	....	37.84
262	4/15/53	8/ 2/54	1,175.00	1,703.20	532.20	....	4.00
266-A	5/ 7/53	3/ 8/54	1,575.00	1,996.43	415.90	....	5.53
299	9/ 2/52	7/ 7/54	1,000.00	1,774.19	913.12	....	138.93
302-A	5/22/53	9/27/54	1,375.00	2,032.62	635.25	....	22.37
303-A	5/27/53	9/22/54	1,375.00	2,032.62	635.25	....	22.37
306	10/18/52	6/ 3/54	1,100.00	1,704.04	710.00	....	105.96

Schedule of long term capital gains, 1954—Continued

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec. St. Line method	Deprec. declining bal. method	Gain or loss
307-A	5/18/53	8/20/54	$1,450.00	$2,032.62	$635.10		$52.48
309	10/18/52	5/4/54	1,100.00	1,693.76	670.32		76.56
311	5/18/53	6/25/54	1,400.00	1,877.77	547.68		69.91
317	9/12/52	3/31/54	1,115.00	1,773.14	664.92		6.78
320	10/24/52	2/3/54	950.00	1,538.03	512.20		75.83
321	10/24/52	5/4/54	950.00	1,540.20	609.30		19.10
322	10/24/52	2/3/54	950.00	1,538.03	512.20		75.83
324	10/24/52	5/6/54	950.00	1,538.03	608.35		20.32
330	10/30/52	2/16/54	1,050.00	1,641.21	508.35		82.86
334	10/31/52	4/[illegible]/54	1,050.00	1,686.06	593.06		43.00
340	11/11/52	5/4/54	1,100.00	1,732.76	649.80		17.04
341	11/24/52	2/16/54	950.00	1,494.39	466.95		77.44
342	11/24/52	2/2/54	950.00	1,494.39	466.95		77.44
343	11/24/52	6/15/54	900.00	1,494.39	591.47		2.92
345	12/16/52	2/2/54	1,050.00	1,657.62	479.94		127.68
346-A	5/22/53	7/12/54	1,475.00	2,032.62	592.76		35.14
350	5/23/53	5/24/54	1,450.00	1,749.36	437.28		137.92
351	5/23/53	8/21/54	1,300.00	1,749.36	546.60		97.24
352	5/23/53	9/10/54	1,225.00	1,749.36	583.04		58.68
354	5/9/53	6/1/54	1,250.00	1,862.18	503.75		108.43
356	5/25/53	7/8/54	1,325.00	1,748.41	510.02		86.61
359	5/23/53	8/11/54	1,350.00	1,794.28	560.70		116.42
360	5/23/53	9/15/54	1,300.00	1,786.91	595.68		108.77
363	7/15/53	3/17/54	1,525.00	1,785.37	297.52		37.15
364	7/15/53	1/18/54	1,575.00	1,785.37	223.14		12.77
367	7/15/53	8/11/54	1,100.00	1,539.90	417.04		22.86
368	7/15/53	8/13/54	1,150.00	1,587.48	417.04		20.44
369-A	6/1/53	8/4/54	1,400.00	2,032.62	592.90		39.72
371-A	6/1/53	8/25/54	1,425.00	2,032.62	592.90		14.72
373-A	6/1/53	5/24/54	1,550.00	2,032.62	508.20		25.58
374-A	5/27/53	9/15/54	1,375.00	2,032.62	635.25		22.37
378	5/26/53	4/6/54	1,450.06	1,721.83	358.70		86.87
400-RW	3/19/54	11/23/54	2,000.00	2,043.68		$681.28	637.60
408-A	4/13/54	12/10/54	1,650.00	1,875.49		625.12	399.63
411-A	4/3/54	11/30/54	1,625.00	1,923.68		641.28	342.60
413	4/16/54	12/22/54	1,500.00	1,733.39		577.76	344.37
424	5/25/54	12/9/54	1,575.00	1,760.73		513.24	328.51
162 425	4/20/54	11/12/54	1,600.00	1,771.39		516.60	345.21
428	12/22/52	4/28/54	1,300.00	1,845.74	615.20		69.46
430	12/22/52	8/16/54	1,100.00	1,845.74	769.00		23.26
431	12/22/52	6/16/54	1,200.00	1,845.74	692.10		46.36
432	12/22/52	4/30/54	1,350.00	1,845.74	653.65		157.91
433	12/22/52	4/6/54	1,350.00	1,845.74	615.20		119.46
434	12/22/52	6/1/54	1,250.00	1,845.74	692.10		96.36
435-A	4/20/54	11/4/54	1,700.00	1,913.69		558.18	344.49
444	2/5/53	2/24/54	1,400.00	1,938.11	484.56		53.55
444-A	5/11/54	11/15/54	1,600.00	1,886.79		471.72	184.93
445	2/5/53	3/24/54	1,400.00	1,929.70	523.60		6.10
445-A	5/11/54	11/2/54	1,625.00	1,886.79		471.72	209.93
446	1/21/53	8/3/54	1,200.00	1,845.24	691.92		46.68
447	1/23/53	3/24/54	1,400.00	1,930.91	522.99		7.92
447-A	5/19/54	11/26/54	1,600.00	1,875.49		546.98	271.49
448	1/31/53	6/1/54	1,250.00	1,841.97	613.31		21.34
450	2/21/53	9/1/54	1,150.00	1,776.54	767.52		140.98
451	2/20/53	8/2/54	1,250.00	1,916.27	678.64		12.37
454-A	5/11/54	11/19/54	1,675.00	1,924.79		481.20	231.41
455	2/5/53	6/10/54	1,300.00	1,970.35	615.75		54.60

Schedule of long term capital gains, 195[illegible]—Continued

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec. St. Line method	Deprec. declining bal. method	Gain or loss
456	2/ 5/53	3/ 2/54	$1,550.00	$1,970.35	$533.52		$113.17
456-A	5/11/54	11/2/54	1,650.00	1,924.79		$481.20	206.41
457-A	4/29/53	3/ 4/54	1,650.00	2,145.89	447.00		48.89
461	1/22/53	6/ 8/54	1,200.00	1,600.47	533.44		132.97
462	1/22/53	7/16/54	1,125.00	1,600.47	566.78		91.31
463	2/ 3/53	1/ 6/54	1,575.00	1,833.43	420.20		161.77
465	[illegible]/ 3/54	12/4/54	1,600.00	1,722.09		502.32	[illegible]
471	1/22/53	5/17/54	1,410.00	1,824.07	570.00		155.93
476	1/29/53	11/23/54	1,200.00	1,826.33	799.05		172.72
477	4/23/54	11/ 2/54	1,600.00	1,771.39		516.60	345.21
478-A	5/11/54	10/30/54	1,650.00	1,800.22		450.00	299.78
479	2/17/53	8/12/54	1,250.00	1,807.66	640.22		82.56
480	2/17/53	6/ 2/54	1,250.00	1,807.66	564.90		7.24
481	2/17/53	8/24/54	1,250.00	1,807.66	640.22		82.56
482	5/11/54	11/13/54	1,600.00	1,674.42		418.56	344.14
483-A	5/11/54	11/1[illegible]/54	1,650.00	1,723.93		431.36	357.45
484	2/18/53	6/23/54	1,300.00	1,807.66	602.56		94.90
485	2/17/53	6/ 2/54	1,250.00	1,807.66	564.90		7.24
486	2/17/53	8/10/54	1,150.00	1,807.66	640.22		17.44
487	2/17/53	6/16/54	1,250.00	1,807.66	564.90		7.24
488-A	5/11/54	11/13/54	1,600.00	1,706.21		449.04	252.83
489-A	5/11/54	11/18/54	1,600.00	1,703.50		425.88	322.38
490	4/ 1/53	8/11/54	1,100.00	1,593.10	531.04		37.94
491	3/ 9/53	6/ 1/54	1,250.00	1,871.80	546.00		75.80
495	3/27/53	3/16/54	1,550.00	1,858.77	324.04		15.27
496	3/27/53	6/ 1/54	1,300.00	1,728.15	502.59		74.44
163 497	3/27/53	6/11/54	1,550.00	1,922.77	558.62		18[illegible]
499	5/ 6/53	4/16/54	1,450.00	1,749.36	400.84		101.48
500	5/ 8/53	9/ 1/54	1,200.00	1,749.36	583.04		33.68
604-P	4/ 1/53	2/12/54	1,850.00	2,180.39	454.20		123.81
616-RW	2/19/54	11/12/54	2,000.00	2,032.71		677.60	644.[illegible]
621-O	3/15/54	10/ 5/54	2,400.00	2,390.70		6[illegible].62	7[illegible].92
701	6/ 6/53	2/ 5/54	[illegible]	1,721.83	286.96		140.13
702	6/ 6/53	[illegible]/24/54	1,450.00	1,721.83	322.[illegible]		51.00
703	6/ 6/53	7/12/54	1,375.00	1,731.83	[illegible]		119.49
704	6/ 5/53	6/28/54	1,250.00	1,649.70	446.81		47.11
705	6/ 5/53	8/16/54	1,100.00	1,649.70	515.[illegible]		31.15
707	6/24/52	10/11/54	1,325.00	1,893.55	631.20		62.65
708	6/19/53	4/ 5/54	1,500.00	1,731.70	252.56		70.86
710-A	6/18/53	7/16/54	1,475.00	1,894.55	513.11		93.56
712	6/29/53	8/16/54	1,300.00	1,721.83	466.31		44.48
714	6/29/53	3/ 8/54	1,500.00	1,721.83	286.96		65.13
716-A	8/11/53	8/24/54	1,375.00	1,857.92	464.52		18.40
718-A	8/11/53	9/ 8/54	1,400.00	1,857.92	503.23		45.31
719-A	8/11/53	6/23/54	1,525.00	1,857.92	387.10		54.18
720-A	7/31/53	4/20/54	1,600.00	1,857.92	309.68		51.76
721-A	7/31/53	2/ 4/54	1,725.00	1,857.92	232.26		99.34
736	6/18/53	10/13/54	1,150.00	1,614.63	538.24		73.61
737	6/19/53	3/12/54	1,500.00	1,746.31	327.42		81.11
738	6/19/53	5/17/54	1,425.00	1,746.31	400.18		78.87
739	6/19/53	10/22/54	1,175.00	1,698.43	566.08		42.65
740	6/19/53	1/11/54	1,625.00	1,746.31	254.66		133.35
741	6/29/53	2/23/54	1,580.00	1,694.18	247.03		132.85
742	6/24/53	3/ 1/54	1,500.00	1,748.75	291.44		42.69
743-A	7/ 7/53	10/ 1/54	1,350.00	1,799.49	562.35		112.86
745	7/ 7/53	5/10/54	1,400.00	1,628.88	339.30		110.42
746	7/ 7/53	2/ 5/54	1,500.00	1,678.42	244.72		66.30

Schedule of long term capital gains, 1954—Continued

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec. St. Line method	Deprec. declining bal. method	Gain or loss
747	7/ 2/53	9/15/54	$1,275.00	$1,725.73	$503.30		$52.57
748	7/ 2/53	4/ 5/54	1,450.00	1,723.56	323.19		49.63
749	7/16/53	2/11/54	1,575.00	1,737.85	253.40		90.55
750-A	7/16/53	7/ 8/54	1,475.00	1,898.42	474.60		51.18
751-A	7/16/53	9/29/54	1,375.00	1,898.42	553.70		30.28
752-A	7/16/53	6/25/54	1,550.00	1,898.42	474.60		126.18
754	7/16/53	9/22/54	1,275.00	1,737.86	506.80		43.94
755	7/16/53	9/ 2/54	1,275.00	1,737.86	506.80		43.94
756	7/16/53	1/25/54	1,575.00	1,729.98	216.24		61.26
760	7/24/53	2/26/54	1,500.00	1,691.56	246.68		55.12
761	7/24/53	4/ 3/54	1,425.00	1,693.73	282.32		13.59
762	7/24/53	2/24/54	1,500.00	1,691.56	211.44		19.88
763	7/24/53	7/19/54	1,400.00	1,691.56	387.64		96.08
766-A	8/ 7/53	5/28/54	1,325.00	1,810.64	539.99		54.35
768	8/ 8/53	2/15/54	1,575.00	1,641.34	205.02		138.68
770	8/ 7/53	8/ 7/54	1,300.00	1,689.22	422.28		33.06
772-A	8/ 7/53	10/11/54	1,325.00	1,799.89	524.86		49.97
775-A	8/ 7/53	10/ 8/54	1,300.00	1,847.77	556.68		8.91
776-A	8/ 7/53	10/ 5/54	1,325.00	1,857.92	541.94		9.02
780	8/ 7/53	2/12/54	1,575.00	1,699.37	212.46		88.09
781-A	7/31/53	5/28/54	1,525.00	1,772.32	332.28		84.96
782	7/31/53	7/28/54	1,300.00	1,619.34	371.14		51.80
783	7/31/53	6/25/54	1,300.00	1,619.34	337.40		18.06
784	7/31/53	7/13/54	1,300.00	1,609.51	368.83		59.32
785	7/31/53	6/22/54	1,500.00	1,609.51	234.71		125.20
786	7/31/53	4/23/54	1,450.00	1,619.34	269.92		100.58
787	7/31/53	7/ 8/54	1,[illegible]0.00	1,617.22	370.59		53.37
789	8/11/53	8/31/54	1,300.00	1,572.99	426.01		153.02
790-A	8/11/53	7/17/54	1,550.00	1,774.44	369.70		145.26
791-A	8/11/53	9/ 7/54	1,350.00	1,774.44	480.61		56.17
793-A	8/10/53	5/19/54	1,550.00	1,762.49	367.20		154.71
794-A	8/10/53	7/15/54	1,475.00	1,764.61	404.36		114.75
795-A	8/10/53	8/14/54	1,400.00	1,764.61	441.12		76.51
800-A	6/26/53	8/10/54	1,250.00	1,751.85	511.00		9.15
801-A	8/13/53	9/ 2/54	1,450.00	1,901.22	514.93		63.71
804-A	8/13/53	4/28/54	1,550.00	1,916.08	319.36		46.72
806-A	8/25/53	6/16/54	1,550.00	1,938.77	403.90		15.13
807-A	8/25/53	12/21/54	1,300.00	1,938.77	646.24		7.47
812	8/31/53	8/10/54	1,350.00	1,790.23	522.20		81.97
815	6/27/53	9/ 3/54	1,300.00	1,720.20	537.60		117.40
816	6/27/53	8/ 2/54	1,300.00	1,787.35	518.15		30.80
818	6/27/53	11/30/54	1,200.00	1,790.23	671.40		81.17
820	6/27/53	6/25/54	1,400.00	1,720.20	430.08		109.88
821	6/27/53	5/18/54	1,425.00	1,790.23	410.30		45.07
825	7/20/53	9/ 5/54	1,150.00	1,615.87	467.33		1.46
828	7/29/53	9/ 2/54	1,175.00	1,736.49	506.38		55.11
831	7/15/53	9/28/54	1,125.00	1,541.86	449.68		32.82
837	7/24/53	12/22/54	1,200.00	1,702.51	591.60		89.09
840	7/24/53	9/22/54	1,300.00	1,744.07	508.62		64.55
842	7/ 7/53	8/ 7/54	1,350.00	1,722.92	466.70		93.78
852	8/27/53	9/22/54	1,[illegible].00	1,739.49	434.88		104.61
853	8/27/53	6/16/54	1,450.00	1,755.90	329.22		23.32
856	8/27/53	7/28/54	1,350.00	1,739.49	398.64		9.15
857	8/27/53	10/20/54	1,250.00	1,673.54	453.18		29.64
858	8/27/53	7/27/54	1,300.00	1,749.35	364.40		84.95
859	9/ 1/53	7/19/54	1,350.00	1,746.67	363.90		32.77
862	10/ 5/53	8/31/54	1,175.00	1,514.83	347.16		7.33

Schedule of long term capital gains, 1954—**Continued**

Car No.	Date pur.	Date sold	Sale price	Cost	Deprec. St. Line method	Depre. declining bal. method	Gain or loss
865	10/10/53	12/13/54	$1,650.00	$1,998.13	$582.82		$234.69
868	1/30/54	11/ 8/54	1,600.00	1,771.25		$664.20	492.95
854	8/27/53	5/13/54	1,450.00	1,755.90	292.64		13.26
855	8/27/53	5/27/54	1,450.00	1,755.90	329.[illegible]		23.32

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		Sale price	Cost	Depreciation straight line method	Depreciation declining balance method	Gain or loss
			1,649.05		618.30	619.25
			1,627.71		610.38	582.67
			1,771.25		738.00	541.75
			1,739.30		434.88	195.58
			1,739.30		434.88	245.58
			1,739.30		434.88	270.58
			1,802.70		473.16	295.46
			1,867.51		855.80	563.29
			1,693.61		603.20	629.59
			1,768.63		588.3[illegible]	191.67
			1,768.63		588.30	244.67
		1,500.00	1,817.76		681.66	363.90
		1,615.00	1,669.[illegible]		6[illegible].04	5[illegible]
		1,500.00	1,554.14		582.84	528.70
		1,615.00	1,723.83		574.56	465.73
	12/ 8/54	1,615.00	1,723.63		574.56	465.93
	12/15/54	1,475.00	1,520.61		503.08	457.47
	12/10/54	1,500.00	1,580.42		527.60	437.18
4/12/54	11/22/54	1,56[illegible].35	1,590.42		461.26	370.84
5/14/54	11/30/54	1,615.00	1,665.47		505.80	455.33
6/14/54	12/20/54	1,600.00	1,608.57		402.12	383.55
6/10/54	12/12/54	1,500.00	1,518.62		379.80	361.18
6/10/54	12/16/54	1,500.00	1,476.86		371.76	394.90
6/ 5/51	9/ 3/54	1,600.00	2,346.08	1,907.10		560.12
Total long term		352,003.40	451,286.76	103,281.78	25,366.98	29,365.40
Total short term		78,761.38	78,613.08	1,711.00	9,112.82	10,972.12
Total sales		$430,764.78	$529,899.84	$104,992.78	$34,479.80	
Total net profit on cars sold						$40,337.52

Clerk's Note: Counsel have stipulated that the obliterated portions of this exhibit are not pertinent.

Petitioner's Exhibit 12

Name of asset: 1948 Chevrolet sedan

Acct. No. 705

Manufacturer's serial No: 6FKG18304.
Size: Motor #FAA460021.
Model: Fleetmaster.
Description: 1948 Chevrolet, 4-door sedan, car and heater........ $1,732.00
Radio.. 33.16

1,765.16

Date acquired	Date installed	Details of purchase and assembly	Posting ref.	Original cost	Credits	Balance
8/31/48		Bothell Chevrolet Co., Inc., Heater.	(1878) ck. 292	$1,732.00		$1,732.00
9/30		S. L. Savidge Radio	298	33.16		
				1,765.16		1,765.17
	11/30/50	Sold	J112		$1,765.16	

Depreciation year	1948	1949	1950
Date determined	$36.79		
Amount forward		$183.24	$624.72
January		36.79	36.79
		220.03	661.51
February		36.79	36.79
		256.82	698.30
March		36.79	36.79
		293.61	735.09
April		36.79	36.79
		330.40	771.88
May		36.79	36.79
		367.19	808.67
June		36.79	36.79
		403.98	845.46
July		36.79	36.79
		440.77	882.25
August	3.608	36.79	36.79
		477.56	919.04
September	36.79	36.79	36.79
	72.87	514.35	955.83
October	36.79	36.79	36.79
	109.66	551.14	992.62
November	36.79	36.79	
	146.45	587.93	
December	36.79	36.79	
Total for year	183.24	624.72	

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